

SUPPLEMENT: CORPORATIONS (1120)



Drake Software User's Manual

Tax Year 2012

**Supplement: Corporations
(1120)**

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Corporations (1120)

The basics of data entry for a corporation (1120, 1120-C, 1120-H) return are the same as for a 1040 return. Field- and screen-level help, shortcut keys, and navigation throughout data entry all function as they do in the 1040 program. See the *Drake Software User's Manual: Tax Year 2012* for the basics of using the program.

What's New in Drake for Corporations

Drake programs its tax software according to the latest IRS rules and regulations. The 2012 program reflects all changes to credits and deductions, including discontinuations. For details on the new regulations for the 2012 tax year, see the IRS instructions for Form 1120.

Required Fields

Fields that require completion before a return is eligible for e-file are highlighted in blue (item #1 in Figure 1). You can change the colors at **Setup > Colors**, and turn off the warnings at **Setup > Options > Data Entry** tab.

The screenshot shows the 'Name and Address Information' screen. Fields are as follows:

- Employer ID number: 11-2011205
- Corporation's legal name: ABC Corporation
- In care of: [Empty]
- DBA (Doing business as): [Empty]
- Address, Suite #: [Blue highlighted]
- City: [Blue highlighted]
- U.S. ONLY State, ZIP, County: [Blue highlighted]
- Foreign ONLY Province/State, Country, Postal Code: [Blue highlighted]
- Phone #: [Empty]

Annotations:

- Item #1 (Red circle): Points to the blue-highlighted fields (Address, Suite #, City, U.S. ONLY State, ZIP, County, Foreign ONLY Province/State, Country, Postal Code).
- Item #2 (Red circle): Points to the 'Foreign ONLY' fields and the '<Click to Access>' button.

Figure 1: Required fields (item #1) and foreign address fields (item #2)

Foreign Addresses

For 2012, Drake has increased support for foreign addresses with new **Foreign Only** fields on multiple screens in all packages. These fields are locked to keep incorrect data from being entered and must be clicked once to unlock them (item #2 in Figure 1). Click the field to unlock foreign address fields throughout the return. Close the return and re-open it to re-engage the lock for unused screens.

To use the foreign address fields, click in the first field and then enter the name of the foreign province or state, as appropriate. Select the appropriate foreign country from the drop list, and then enter the postal code, if appropriate.

Fields Added to “Name/Address” Information

“In Care Of” and “Doing Business As” data have been given separate data-entry fields in the business packages to allow this info to flow to state forms. (Figure 2)

The screenshot shows a form titled "Name and Address Information". It contains the following fields: "Employer ID number", "Corporation's legal name", "In care of" (circled in red), "DBA (Doing business as)" (circled in red), "Address, Suite #", "City", and a blue link labeled "State Info".

Figure 2: “C/O” and “DBA” lines split in business packages

Changes in Reporting of Capital Assets

Screen codes
8949, D2, D

Significant changes have been made to the way capital assets are to be reported. In the past, capital gains and losses from stocks, bonds, mutual funds, and other investments, were listed on Schedule D, Capital Gains and Losses. Now they are to be listed on the new Form 8949, Sales and Other Dispositions of Capital Assets, and summarized on Schedule D. Information for these forms is entered on screens **8949, D**, or **D2**. These screens are available under the **Assets-Sales-Recapture** tab of the **Data Entry Menu**.

NOTE

Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, now reports individual transaction information and contains cost basis fields for brokers who are required to supply such information. Enter 1099-B data on screen **8949**.

Form 8949, Schedule D, Form 1099-B

Screen **8949** has fields for Form 8949, Schedule D, and Form 1099-B data. Following are some guidelines for data entry on this screen, first for 1099-B information, and then for 8949-specific information.

- **Foreign Expropriation** — Mark this box if the corporation sold foreign property. Foreign expropriation capital losses cannot be carried back, but are carried forward up to 10 years.
- **Date of Sale or Exchange** — If a single date does not apply, type Bankrupt, Worthless, or Expired, as applicable. Select **S** or **L** from the **Type of gain or loss** drop list to have it treated as short-term or long-term. (If Expired is entered, the return must be paper-filed.)
- **Date of Acquisition** — Enter the date acquired as an eight-digit number using MMDDYYYY format. This date is used to determine whether the sale is short-term or long-term. Enter VARIOUS, INHERIT, or INH2010, as applicable. (Only “Various,” “Inherit,” and “Inh2010” are acceptable for e-filing. Press CTRL+F to force the software to accept INH2010 .) Select **S** or **L** from the **Type of gain or loss** drop list to have it treated as short-term or long-term.

- **Type of gain or loss** — Select from the drop list to describe the gain or loss as long-term or short-term.
- **Stock or other symbol** — Enter the stock or other symbol for the security sold.
- **Quantity Sold** — Enter the quantity of securities sold.
- **Proceeds from sale ...** — Enter the sale amount. If only the gain amount is available, enter the gain amount and leave the **Cost or other basis** field blank.
- **Check if loss...** — Mark this check box if a loss based on the amount in the **Proceeds from sale...** field is not allowed.
- **Cost or other basis** — Enter the cost or basis. If only the loss amount is available, enter the loss amount and leave the **Proceeds from sale...** field blank.
- **Federal tax withheld** — Enter the amount of federal tax withheld from the proceeds of a sale.
- **Wash sale loss disallowed** — Enter amount of wash sale loss that is disallowed.
- **Description** — Enter a description of a capital gain or loss item using stock ticker symbols or abbreviations. In the past, Drake supported 32 characters but only the first 15 were transmitted with an e-filed return. By default, the first 15 characters were displayed in black text on the screen; additional characters were displayed in red. With Modernize e-File (MeF) all characters are now transmitted and all characters are displayed in black text on the screen.
- **Basis not reported ...** — If the asset being entered is not being taken from a Form 1099-B, indicate why by selecting an option from the drop list.
- **Adjustments** — Up to three adjustments per screen are permitted. For each adjustment, select the applicable code from the drop list and enter the amount of adjustment (and AMT adjustment, if applicable) to the gain or loss.
- **AMT** — Several AMT-related fields are included on screen **8949**:
 - Form 4626 will use amount in the **AMT Adjustment to gain or loss** fields on screen **8949** (1120 package only).
 - **Amount of gain/(loss) subject...** — Enter amount of gain or loss subject to 28% rate.
- **State Use Only** — Check with your state for required codes.

Merchant Card and Other Third-Party Income Reporting

Last year, the IRS introduced Form 1099-K for merchant card and other third-party income reporting, and added a line to the “Income” section of the 1120 return for reporting this income. Drake incorporated a data-entry field in the Income (**INC**) screens of the Corporation package in anticipation that this field would be used; however, because the IRS required that a zero (0) be entered in this field for tax year 2011, the field was inactive (grayed-out) in Drake.

This year, the IRS reversed itself and removed the line from the “Income” section of the 1120 return, and Drake removed the “Merchant Card and third-party payments from Form 1099-K” line from the **INC** screens of the Corporation package.

No special reporting of this income is necessary.

Qualified Real Property

The provision of the Small Business Jobs Act of 2010—under which taxpayers could expense up to \$250,000 of the cost of qualifying real property (QRP) placed in service during tax years 2010 and 2011, rather than recovering that cost through depreciation deductions—was set to expire at the end of 2012, but through the American Taxpayer Relief Act of 2012 been extended for the 2012 and 2013 tax years.

Bonus Depreciation

For the 2012 tax year:

- Assets placed in service in 2012 — 50% bonus depreciation
- Assets placed in service in 2013 — 50% bonus depreciation

Before You Start

Actions you might need to take before starting a 1120 return in Drake include:

- Updating a prior-year return (if you prepared the tax return last year)
- Changing a return from another type of return to an 1120, if the corporation has made such a change in the last year

Updating a Prior-Year Return in Drake

A prior-year return can be updated in three ways:

- As a single return (updated one at a time) using **Last Year Data > Update Clients 2011 to 2012** (recommended)
- When you open a return for the first time in the 2012 program and are prompted to update it
- With all other returns in the program using **Last Year Data > Update Clients 2011 to 2012** (not recommended)

When you update an 1120 return that was marked “final” the previous year, the program informs you that the return was marked final before prompting you to proceed.

Converting from Another Return Type

If the corporation is electing to become an 1120 corporation after existing as another type of entity (S corporation, partnership, etc.), it is necessary to indicate this in the program.

To change from another type of entity to an 1120 corporation in the program:

1. From the **Home** window, select **Tools > File Maintenance > Change File Type**.
2. Enter the EIN of the entity and click **Continue**.
3. Select the new return type.
4. Click **Continue** to save the change.

5. Click **OK**.

Filing Form 1120-C or 1120-H

No preliminary steps are required for Forms 1120-C or 1120-H. Use the same screens you might for an 1120 return, but include one of the following screens in addition:

- **20C** — For Form 1120-C, U.S. Income Tax Return for Cooperative Associations
- **H** — For Form 1120-H, U.S. Income Tax Return for Homeowners Associations

If one of these screens contains data, the program automatically produces the type of return indicated. For example, if a deduction is entered on screen **20C**, an 1120-C return will be produced.

TIP

Is Form 1120-C or 1120-H being produced in error? Check the corresponding screen (**20C** or **H**) for data entered. To delete a screen, open the screen to delete and press CTRL+D.

Header Information

Screen **1** contains fields for the general information that is printed in the top section of page 1 of Form 1120 (or Form 1120-C or 1120-H, as applicable).

Name and Address

Use screen **1** to enter the corporation name and address for Form 1120. For state purposes only, if the corporation has an alternate address (such as a P.O. box), you can enter that address on screen **2**, **State General Information**, in the **Address Line 2** field at the bottom of the screen.

NOTE

The screen **2**, **State General Information** link is located on the **States** tab of the **Data Entry Menu**. You can also type **2** into the selector field and press ENTER.

Tax Year

The software uses the calendar year as the default tax period for all corporate returns; no date entries are required on screen **1** for a December 31 tax year end.

Fiscal and Calendar Years

If the corporation uses a fiscal year (where the year begins in the current calendar year and ends in the next), specify the beginning and ending dates in the **If not calendar year** section in the lower-left corner of screen **1**.

NOTE

The program adjusts calculations for depreciation and for gains and losses on sales of assets based on the entity's tax year.

For information on filing with a 52-53-week year, see "Electing a 52-53-Week Year (Initial Return)" on page 34.

Short-Year Returns

An entity may have a short-year return if the entity is changing accounting periods with IRS approval (Form 3115), or if this is its first or last year in business and the tax year is not a full year.

To indicate a short-year return, use the fiscal year date fields on screen **1** to indicate the beginning and ending dates for the current year.

If filing a short-year return (other than an initial or final return), you have to provide an explanation. To do so, go to the **ELEC** screen and select an explanation from the **Other short year reason** drop list. Your explanation will be displayed at the top of the first page of the tax return. If you do not select an explanation, an EF message will be generated with the return, and the return cannot be e-filed.

NOTE

For more information on short-year explanations, see IRS Pub. 4163.

The program may not correctly calculate depreciation, gains, or losses for a short-year return. Depreciation for a short-year return can be entered on screen **4562** and/or screens **6**, **7**, **8**, and **9**.

Boxes A through E

Use screen **1** to enter most information for boxes A through E (top of Form 1120). Note that boxes A-4 ("Schedule M-3 attached") and D ("Total assets") are completed automatically by the program based on data entered elsewhere.

NOTE

Box 1a ("Consolidated return") is automatically marked if there are entries on screen **851** (Form 851, Affiliations Schedule). Box A-2 ("Personal holding company") is automatically marked if there are entries on screen **PH** (Schedule PH, U.S. Personal Holding Company (PHC) Tax).

Income and Deductions

Only three screens are required in order to calculate taxable income for a return:

- **INC** — Includes all items of income reported on Form 1120, page 1, lines 1 through 10, that do not require a separate schedule (Schedule C) or additional information (Income reported on Form 1065, Schedule K-1); also includes tax-exempt interest income reported on the Schedule K.
- **DED** — Includes all deduction items reported on Form 1120, page 1, lines 13 through 26, that do not require a separate schedule or form (Form 4562).
- **J** — Includes loss carrybacks, controlled group tax bracket amounts, tax payment information, and certain credits.

Gross Receipts

Enter gross receipts (Form 1120, line 1a) and returns and allowances (Form 1120, line 1b) on lines 1a and 1b of the **INC** screen. Exclude any amounts that are to be reported on lines 4 through 10 of Form 1120.

Cost of Goods Sold (Form 1125-A)

Enter the cost of goods sold (COGS) on screen **A**. Form 1125-A is not produced unless entries are made on screen **A**.

NOTE

On screen **A**, items 9a through 9f are direct-entry fields and follow the format of IRS Form 1125-A. For more information on completing these fields, press F1 or consult the IRS instructions.

Inventory

Inventory amounts entered on lines **1** and **7** of screen **A** automatically flow to Schedule L, line 3 ("Inventories")

NOTES

Lines **1** and **7** of screen **A** are adjustment fields. Amounts entered in these fields adjust (add to or subtract from) any amount being carried from the **F** screen (Form 1040, Schedule F, Profit or Loss from Farming) to line 2 of Form 1120.

The fields on screen **L (Schedule L - Balance Sheet - Assets)** for line 3 "Inventories" are override fields. Anything entered in these fields overrides (replaces) the data entered for inventory on screen **A**.

Line 5, Other Costs

Line 5, "Other costs," is designated for any applicable costs not entered on lines 2 through 4 (purchases, cost of labor, and additional section 263A costs). In Drake, two data-entry fields are used to complete line 5: one for other costs excluding depreciation, and one for depreciation (Figure 3).

4	Additional section 263A costs
5	Other costs - excluding depreciation
5	Depreciation
7	Inventory at end of year

Figure 3: Screen **A** (Schedule **A**), line 5

In the "Depreciation" field, enter any depreciation that relates to the cost of goods sold (unless the amount is flowing from the **4562 (Depreciation - Detail Items)** screen with **COGS** selected from the **For** drop list). Note that this field of screen **A** is an override field; an entry here overrides calculations from the **4562** screen. Amounts entered in this field automatically adjust the total depreciation that is carried to page 1 of Form 1120. An entry in the "Other costs - excluding depreciation" field opens a CTRL+W worksheet. The depreciation amount is included on the statement for other costs and should not be included in the "Other costs - excluding depreciation" worksheet.

Importing Trial Balance to Sch A

If using the trial balance import feature (see "Importing Trial Balance Information" on page 38), enter depreciation amounts directly into the appropriate fields on the trial balance worksheet, *not* in the fields in data entry. When the trial balance is imported, the COGS depreciation expense amount flows directly to the appropriate line of Form 1125-A and is calculated accordingly.

Dividends (Schedule C)

Enter dividends and special deductions on screen **C** (Schedule C). The Dividends Received Deduction Worksheet (WK_DRD) is generated from data entered in these fields. The result of the WK_DRD is carried to Schedule C of the return. The total from Schedule C, line 19, column A, is carried to Form 1120, line 4 ("Dividends"), and the total from Schedule C, line 20, column C, is carried to Form 1120, line 29b ("Special deductions"),

NOTE

If the corporation is filing a consolidated return, do not enter non-included dividends here or anywhere else in the program.

Interest

Line 5 of Form 1120 is for interest income, which is entered on the **INC** screen. Note that the **Interest income** field is an adjustment field; an amount entered there is combined with the interest amount, if any, entered on screen **6252** (Form 6252, Installment Sale Income) and interest income entered on screen **K1P** (Schedule K-1, Form 1065).

Enter *tax-exempt* interest income on the **INC** screen. This amount flows, as applicable, to Schedule K, line 9, and to Schedule M-1, line 7. Override fields are available on screens **K** and **M1** if necessary to override the **INC** screen amount.

Rents and Royalties

Enter gross rents and gross royalties using the direct-entry fields on the **INC** screen. Line 7, "Gross royalties" is an adjustment field. Any amount entered here adjusts amounts flowing from line 7 of screen **K1P**.

Note that passive activity loss rules may be applied to rental activities held by a closely held corporation or a personal service corporation.

Capital Gains

Use screen **8949** to enter capital gains and losses. Short-term capital gains flow to Part I, lines 1-3, of Form 8949. Long-term capital gains flow to lines 8-10 of Part II of the 8949. The net gain from screen **8949** is carried to line 8 of Form 1120. (Any net capital loss is carried to the ATT_D attachment to offset future gains.)

NOTE

You can import data for Schedule D using the Schedule D Import feature. For more on using this feature, see "Schedule D Imports" in Chapter 5 of the *Drake Software User's Manual: Tax Year 2012*.

Ordinary Gains and Losses

The amount generated on line 9 flows from screen **4797**. Amounts can also flow from screen **4562** to Form 4797 (making screen **4797** entries unnecessary), but only if screen **4562** shows assets sold, date, and property type.

Other Income (Loss)

Use the **INC** screen to enter amounts for the "Other income" line of the main form. Specific **INC** screen entries are displayed on attached statements in View mode of the return.

For Form 1120, calculated amounts from the following screens also flow automatically to the "Other income" line (line 10):

- Screen **6478** (Form 6478, Alcohol and Cellulosic Biofuel Fuels Credit)
- Screen **8864** (Form 8864, Biodiesel and Renewable Diesel Fuels Credit)

Additional fields for other income on the **INC** screen include:

- Amount of credit for tax on fuels
- Interest income on receivables
- Recoveries of bad debts
- Section 481 adjustments
- State tax refund
- Taxable income from insurance proceeds
- Other (itemize) (Detail worksheet is required.)

NOTE

Data from Forms K-1 received from partnerships should be entered on the **K1P** screen. This information is reflected in an attached statement in View mode of the return. Losses are included with "Other Deductions" entered on the **DED** screen.

Compensation of Officers (Form 1125-E)

Form 1125-E, Compensation of Officers is not generated automatically with the return unless it is required—in other words, unless total receipts (line 1a, plus lines 4 through 10) on Form 1120 are \$500,000 or more. To force the software to print Form 1125-E, from the **PRNT** screen, select **Force Form 1125-E, Officer Compensation**.

Officer Information

Use screen **E** to enter officer information and compensation amounts. Press PAGE DOWN to enter additional officers. Screen **E** totals are calculated and carried to line 12 of Form 1120.

The total of officer compensation can be entered in the **Officer Compensation** override field on the **DED** screen (generally used when Form 1125-E is not required). An entry in that field overrides any calculations from screen **E**, changing lines 12 and 27 of the 1120 but not Form 1125-E.

Screen E Check Boxes

Screen **E** has two check boxes: **Signs return**, and **Books in care of**. Mark the applicable box on the screen that identifies the officer who either signs the federal or state paper returns, or is the contact person for the books (state return only).

Ownership & Participation

The **Ownership and Participation** fields on screen **E** are required. Fields are as follows:

- **Total** — Enter the officer's ownership percentage.
- **Common** — Enter the percentage of common stock owned by the officer.
- **Preferred** — Enter the percentage of preferred stock owned by the officer.
- **Time** — Enter the percentage of time the officer devotes to the corporation.

Enter percentage amounts in whole numbers. For example, enter 40 for 40%.

Salaries and Wages

Use the **DED** screen to enter salaries and wages paid. Note that the **DED** screen amount is reduced by the amount, if any, of credit from Form 5884. Also note that this is an adjustment field; an amount entered here adjusts any amount entered on screen **F** (Form 1040, Schedule F, Profit and Loss from Farming) in the "Labor hired" field.

NOTE

The **Salaries and wages** amount should *not* include compensation of officers. Enter officer compensation data on screen **E** or as **Officer Compensation** on line 12 of the **DED** screen.

Repairs and Maintenance

Enter repair and maintenance costs on the **DED** screen. An amount entered here is combined with the amount, if any, entered in the **Repairs and maintenance** field on screen **F**.

Bad Debts

Use the "Bad debts" line on the **DED** screen to enter the total debts that became worthless in whole or in part during the year, but only to the extent that such debts related to a trade or business activity.

NOTE

Enter deductible non-business bad debts as a short-term capital loss on screen **8949 (Capital Gains & Losses)**.

Cash method corporations cannot take a bad debt as a deduction unless the amount was previously included in income.

Rents

Use the **DED** screen to enter rent paid on business property used for a trade or business activity. If the corporation rented or leased a vehicle, enter the total annual rent or lease expense incurred in the trade or business activity of the entity, and then complete Part V of the **4562** (screens **8** and **9**).

NOTE

The **Rents** field is an adjustment field. An amount entered here is combined with the amount, if any, entered in the **Rent** fields on screen **F**, lines 24A and 24b.

Taxes and Licenses

Enter tax and license amounts in the **Taxes and licenses** section of the **DED** screen. Amounts are combined and the sum generated on Form 1120, line 17 ("Taxes and licenses"). Note that credit from Form 8846 (Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips) adjusts the line 17 amount.

NOTE

These amounts also appear on the Taxes and Licenses Attachment (ATT_CTL), referred to on line 17 with an "ATT_CTL" reference. To keep the notification from appearing, go to the **PRNT** screen and select **Suppress printing form and attachment references**.

State tax amounts (income tax and franchise tax) entered on the **ES** (Estimated Taxes) screen are carried to the tax computation (ATT_TAX) worksheet. The state tax amount carried from the **ES** screen may differ depending on which method of accounting (cash or accrual) is used.

Interest

Enter interest expense on the **DED** screen. Note that the **Interest expense** field is an adjustment field. Any amount entered here is combined with the amount, if any, entered in the **Interest** fields on screen **F**.

Charitable Contributions

The **DED** screen provides two fields for entering data for line 19, "Charitable contributions."

The screenshot shows a portion of the DED screen. A red oval highlights two lines: '19 Contributions..... +/-' and '19 Qualified conservation contributions..... +/-'. Below these are 'Credit and collection costs.....' and 'Delivery.....'. The input fields for the highlighted lines are empty.

Figure 4: Charitable contribution lines on the **DED** screen

- **Contributions** — Enter the gross amount of contributions for the year that are subject to the 10% limit on deduction.
- **Qualified conservation contributions** — Enter the gross amount of contributions for the year that are not subject to the 10% limit. These contributions have a carryover period of 15 years; see IRS instructions for details.

The program calculates the contributions allowed and determines carryover capability for amounts entered in both fields for line 19 and reflects the applicable amount on Form 1120. (Refer to the contribution limitation/carryover worksheet (WK_CNTRB) for calculation of allowed amount.) Contribution carryovers from prior years are entered on the **LOSS** screen.

Note that both fields of line 19 are adjustment fields; entries here adjust amounts flowing from screen **K1P**, line 13, codes **A** and **B**.

Depreciation

Enter depreciation on the **4562** screen. Select a form from the **For** drop list (Figure 5) to associate the depreciable item with the correct form or activity. Data from the **4562** screens is calculated and carried to Form 1120 and to the selected schedules or forms.

The screenshot shows the 'Form 4562' screen. At the top, there is a 'For:' dropdown menu with '1120' selected. To the right of the dropdown, it says '1120, COGS, F'. Below this, there is a 'Multi-form code:' section with a list of options: '1120 Corporation Main Form, Form 1120-C, or 1120H', 'COGS Schedule A, Cost of Goods Sold', and 'F Schedule F, Profit or Loss From Farming'. The 'Description' field contains 'Delivery Truck'. Below the description, there are three input fields: '01-10-2009', '25656', and '100'. At the bottom, there are labels for 'Federal', 'State', and 'AMT'.

Figure 5: Selecting Form 1120 from the **4562** screen **For** drop list

NOTE

For more on the **For** drop list in Drake, see “Associating One Screen with Another,” in the *Drake Software User's Manual: Tax Year 2012*

Depletion

Enter depletion deductions on the **DED** screen. See Form 1120 instructions and Pub. 535 for more information on depletion.

Advertising

Enter advertising expenses on the **DED** screen.

Pension and Profit-Sharing

The software reduces this expense based on the credit amount calculated from Form 8881, Credit for Small Employer Pension Plan Startup Costs.

Domestic Production Activities

Use screen **8903** to complete Form 8903, Domestic Production Activities Deduction (DPAD). The calculated total of screen **8903** flows to line 25 of Form 1120.

NOTE

The DPAD is not allowed on returns with a net operating loss (NOL) for the current year. It also cannot be used to create a current-year loss.

Other Deductions

Enter all other deductions on the **DED** screen. The program calculates these amounts and incorporates the total into line 26 (“Other deductions”) of Form 1120. The following deductions, credits, adjustments, and exclusions also flow to line 26:

- Amortization from Form 4562
- Credit from Form 8820, Orphan Drug Credit

- Exclusion from Form 8873, Extraterritorial Income Exclusion
- Credit from Form 8941, Credit for Small Employer Health-Insurance Premiums

NOTES

Drake automatically calculates meals and entertainment limitations.

A detail (CTRL+W) worksheet is required for the "Other (itemize)" field. The program automatically generates a worksheet if an entry is made here, or in any other field where a worksheet is required by the IRS.

NOL Carrybacks and Carryforwards

Enter NOL carrybacks from future years to the current year on screen **J**. To enter multiple carryback amounts, use a detail (CTRL+W) worksheet.

Use the **LOSS** screen to enter NOL carryforwards, capital losses, and contribution carryforwards from prior years. Use screen **J (Loss Carryback, Tax Computation, Payments)** to enter current-year carrybacks to prior years.

Tax, Refundable Credits, and Payments

Screen **J** has fields for completing the "Tax, Refundable Credits, and Payments" section of Form 1120. Note that some fields are overrides. Press F1 to view more information on a field.

Total Tax

For corporations that belong to a controlled group, complete all applicable fields on screen **J**. If allocating income to the various brackets on this screen, you must enter 0 (zero) in the fields of the brackets to which no income is allocated.

The total tax from Schedule J is calculated and carried to line 31 of Form 1120.

NOTE

Controlled groups are also required to complete Schedule O. Use the **O** screen in Drake to complete Schedule O. See "Schedule O (Controlled Group Information)" on page 28.

Estimated Taxes and Applied Refunds

Enter on screen **ES** the estimated corporate taxes paid. If necessary, use screen **W** to override 2012 estimated taxes paid and apply any overpayments from 2012 to 2013.

NOTE

Estimate vouchers are not used in federal corporation tax returns.

Over-payment

To apply the current-year overpayment to next year, the corporation's current-year taxable income must be greater than 0 (zero). Enter the amount to be carried to next year in the overpayment field at the bottom of screen **W**. If current-year taxable income is not greater than 0 and you want to apply the current-year overpayment to next year, enter a positive amount on line 1, "Taxable income expected for the tax year," at the top of screen **W**.

Quick Refund

To file Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax, go to the **PRNT** screen and mark the **Calculate Form 4466** box. This is the only entry necessary to produce the form. (There is a link to the **PRNT** screen from the **Other Forms** tab of the **Data Entry Menu**. Click **Application for Quick Refund**.)

Underpayment

Use screen **2220** to enter information for Form 2220, Underpayment of Estimated Tax by Corporations. Note that the **2220** screen in Drake consists of two screens. Press **PAGE UP** and **PAGE DOWN** to move from screen to screen.

IMPORTANT

The program retains the underpayment and penalty rates as of 12/31 of the calendar year. If a corporation has a fiscal year end, you must enter the effective rates manually.

State Estimates

Enter 2012 estimates and 2013 overpayments for state returns on the **ES** screen. For the federal return, to override 2012 estimates and apply overpayments to 2013, use screen **W**.

Direct Deposit of Refunds

The IRS requires that Form 8050, Direct Deposit of Corporate Tax Refund, be submitted with an e-filed return in order for a corporation's refund to be direct-deposited. To access this form in Drake, go to the **DD** screen, accessible from the **General** tab.

When filling out the **DD** screen:

- If the federal refund is to go to the account listed, select **Yes** for the **Federal selection** drop list; otherwise, select **No**. (Default is **Yes**.)
- If a state refund is to go to the account listed, select the state abbreviation from the **State/City selection** drop list.
- Enter the name of the financial institution, the routing number (**RTN**), the account number, and the type of account (**Checking** or **Savings**).
- Re-enter the routing number, account number, and type of account to verify (Figure 6).

Account Information			
Account #1			
Federal Account and State (if same as Federal)			
Deposit selection:	Federal selection.....	Y	State/city selection..... CA
Name of financial institution	RTN	Account number	Type of account
First Bank and Trust	123456789	9876543210	<input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings
Repeat Account Information	123456789	9876543210	<input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings

Figure 6: Federal section of **DD** screen (also **8050** screen)

If receiving refunds from different state tax authorities, use the **State Account** boxes on the **DD** screen to indicate where other state refunds should be deposited.

Electronic Funds Withdrawal (Direct Debit)

Use the **PMT** screen, accessible from the **General** tab, to indicate that the balance due for an e-filed return should be withdrawn (direct-debited) from an account.

Program Defaults and Overrides

By default, the program indicates that the entire balance due (line 34, "Amount owed," of Form 1120) is to be withdrawn on the return due date. To indicate otherwise, complete the **Requested payment date** override fields (see Figure 7) for the applicable payment. If the return is e-filed on or before the due date, the requested payment date cannot be later than the due date. If the return is transmitted after the due date, the requested payment date cannot be later than the date the return is transmitted.

Required Information

A **Withdrawal selection** (item 1 in Figure 7) is required if the program is to direct tax authorities to withdraw funds from the corporation's bank account.

The screenshot shows the PMT screen with the following fields and annotations:

- Account Information** section:
 - 1** **Withdrawal selection:** Federal selection (dropdown) and State/city selection (dropdown).
 - 2** **Name of financial institution**, **RTN**, **Account number**, and **Type of account** (Checking/Savings) are required. These fields are repeated for a second entry.
 - 3** **Federal:** Federal payment amount, Requested payment date, and Daytime phone number. Below these, **Payment is for:** 1120, 7004, and 1120X (radio buttons).
 - State:** State payment amount, Requested payment date, and Daytime phone number.

Figure 7: Required fields on **PMT** screen: withdrawal selection (1); account information (2); specified return (3)

The name of the financial institution, RTN, account number, and account type are required. As with the **DD** screen, the **RTN**, **Account number**, and **Type of account** data must be entered twice (item 2 in Figure 7).

Finally, the **PMT** screen must indicate the return to which the payment data applies (item 3 in Figure 7). Mark the box of the applicable return type: **1120**, **7004**, or **1120X**.

Withdrawal from Multiple Accounts

Only one account can be designated for direct debit of funds for payment of federal or state taxes. To have state amounts withdrawn from an account other than the account indicated for federal payments, complete the fields in the **State Account** sections of the **PMT** screen.

NOTE

Neither the federal nor the state balance due can be paid from more than one account.

Filing an Extension

Calendar year returns are due on March 15, 2013. By filing Form 7004, a corporation can extend the deadline six months to September 15. Fiscal year returns are due on the 15th day of the third month after the end of the corporation's year. The 7004 extends the deadline six months.

NOTE An 1120 return is due no later than eight and a half months after the close of the corporation's tax year.

Use one of the following options to file an extension for an 1120, 1120-C, or 1120-H:

- Go to the **7004** screen in Drake and select **Generate an extension**. Complete any other applicable fields on the screen.
- Go to the **PRNT** screen and select **Prepare Form 7004 extension based on screen 1 info**.

Signing the Return

Electronic (PIN) signatures are required for e-filed returns. If e-filing a return, complete all fields on the **PIN** screen. A return cannot be e-filed if the **PIN** screen fields, including the title and signature (name) of the officer signing the return, are not completed.

An 1120 return must be signed and dated by one of the following individuals:

- The corporation's president, vice president, treasurer, assistant treasurer, or chief accounting officer
- Any other corporate officer, such as a tax officer, who is authorized to sign

If the return is prepared by a paid preparer, the preparer must complete the required information and sign the return in the space provided on the **PIN** screen. If it is prepared by an employee or officer of the corporation, go to screen **1** and select **NONE** in the **Firm #** and **Preparer #** drop lists.

To have the preparer's name and address information displayed on the printed return:

- If the return preparer and ERO (entered in **Setup > ERO**) are the same:
 - Go to **Setup > Preparer(s)** and ensure that the **Alternative Electronic Signature** box is marked for the preparer.
 - Complete the **PIN** screen for the return.
- If the return preparer and ERO are *not* the same:
 - Go to the **PRNT** screen for the return and complete the field labeled **PIN for preparer's alternative electronic signature**. The PIN entered should match

the one entered for the preparer in **Setup > Preparer(s)**. (For more information, press F1 in this field.)

NOTE

Setup > ERO must still be completed in Drake for e-filing. See the IRS instructions for further details on signing requirements.

Amending a Return

The program can automatically fill the **1120X** screen for Form 1120X, Amended U.S. Corporation Income Tax Return.

CAUTION

When you amend a return in Drake, the amended information replaces the original in the data file. Before amending a return, you should archive the original to avoid losing previously submitted data. For more information on archiving returns, see "Archive Manager" in Chapter 6, "Return Results," of the *Drake Software User's Manual: Tax Year 2012*.

Returns Previously Prepared in Drake

From the **Data Entry Menu** of an 1120 return, enter an **X** in the selector field and press ENTER. (Screen **X** is also accessible from the first **Other Forms** tab.) At the prompt, select **Yes** to automatically fill the screen with data from the original return (that is, the return as originally entered in Drake). If the corporation's name or address information has changed, enter the new information on screen **X**. Make all other necessary changes to the *regular data entry screens*.

Open screen **2X** (or press PAGE DOWN while in screen **X**). Enter the line number from the **X** screen that corresponds with the changes that were made in data entry. (For instance, if you made a change in the tax on screen **J**, enter 4 (for "Tax") in the **Line Number** field of the **2X** screen.) Enter an explanation in the **Explanation of Changes** text box.

If more than one item was changed in data entry, press PAGE DOWN to open another screen **2X**. Enter the line number from screen **X** that corresponds to this change and enter another explanation.

When you go to View mode, the program calculates the amended return.

New Returns

To amend a return not previously prepared in Drake, create an 1120 return in Drake and open screen **X**. Complete the applicable fields on this screen, and then enter the amended data in the appropriate other screens, as described in the example below.

Example: An 1120 return was filed using a different tax software, but gross rental income was not reported on line 6. To amend the return:

1. From the **Data Entry Menu** of an 1120 return, open screen **X**.
2. Complete all applicable fields on screen **X**.
3. Close screen **X** and open the **INC** screen.
4. Enter the amount of unreported income on line 6.
5. Close the **INC** screen and open screen **2X**.

6. Enter the line number from the **X** screen that corresponds to the changes that were made in data entry. (For this instance, if you made a change to income on the **INC** screen, enter 1 (for **Total Income**) in the **Line Number** field of the **2X** screen.
7. Enter an explanation in the **Explanation of changes** text box.
8. Calculate and view the return. Note the adjustments made on the Form 1120X.

E-filing an Amended Return

To add Form 1120X to the queue for e-filing, go to the **EF** screen for the return and mark the **1120-X** box. For detailed instructions on e-filing the returns in the queue, see Chapter 8, "e-File," in the *Drake Software User's Manual: Tax Year 2012*.

Schedule K

Use screen **K** to enter data for Schedule K, Other Information. Screen **K** should also be used for Schedule K of Form 1120-C. Detailed here are some specific areas that might need your attention.

Schedule K, Line 3

On line 3 (line 5 for 1120-C), enter the EIN and name of the parent corporation if the corporation is a subsidiary in an affiliated group or a parent-subsidiary controlled group.

Be aware of the following guidelines from the IRS:

- "If the corporation is an 'excluded member' of a controlled group (see section 1563(b)(2)), it is still considered a member of a controlled group for this purpose.
- "An affiliated group is one or more chains of includible corporations (section 1504(a)) connected through stock ownership with a common parent corporation. The common parent must be an includible corporation and the following requirements must be met.
- "The common parent must own directly stock that represents at least 80% of the total voting power and at least 80% of the total value of the stock of at least one of the other includible corporations.
- "Stock that represents at least 80% of the total voting power and at least 80% of the total value of the stock of each of the other corporations (except for the common parent) must be owned directly by one or more of the other includible corporations.
- "For this purpose, the term 'stock' generally does not include any stock that (a) is nonvoting, (b) is nonconvertible, (c) is limited and preferred as to dividends and does not participate significantly in corporate growth, and (d) has redemption and liquidation rights that do not exceed the issue price of the stock (except for a reasonable redemption or liquidation premium). See section 1504(a)(4). See section 1563(d)(1) for the definition of stock for purposes of determining stock ownership."

Schedule K, Line 4

If a corporation, partnership, trust, individual, or estate owned, directly or indirectly, 20 percent or more, or owned, directly or indirectly, 50 percent or more of the total voting power of all classes of the corporation's stock entitled to vote, the applicable data appears on Schedule G. In Drake, Schedule G data is entered on screens **G1** and **G2**, accessible through the **G1 Screen** and **G2 Screen** links on line 4 of screen **K**, or from the **Data Entry Menu**.

If the stock is owned by *any foreign or domestic corporation, partnership, or trust*, enter on screen **G1** the name and EIN of the entity, the type of entity (corporation, partnership, or trust), the country of the entity's organization, and the percentage of stock the entity owns.

If the stock is owned by an *individual or estate*, enter on screen **G2** the name and ID number of the individual or estate, country of citizenship, and percentage of stock owned.

Use the CTRL+PAGE DOWN function to open additional (blank) **G1** or **G2** screens. For more information on line 4 of Schedule K, see the IRS instructions.

Schedule K, Line 5

If the corporation owned stock in other corporations or partnerships, or the beneficial interest in a trust, enter the information on the **K5A** or **K5B** screen. Click the **K5A Screen** or **K5B Screen** links on the **K** screen or from the **Data Entry Menu** to access fields for entering this information.

Use the CTRL+PAGE DOWN function to open additional (blank) **K5A** or **K5B** screens. For more information on line 5 of Schedule K, see the IRS instructions.

Schedule K, Line 7

Enter information on line 7 of screen **K** if a foreign person owned, directly or indirectly, at least 25% of the total voting power of all classes of the corporation's stock entitled to vote, or the total value of all classes of stock of the corporation. (If there is more than one 25%-or-more foreign owner, complete the fields for the person with the highest percentage of ownership.) Enter the percentage that person owned and the owner's country of residence.

NOTE

Generally, a 25% foreign-owned corporation with a reportable transaction during the tax year must file Form 5472, Information Return of a 25% Foreign Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. See Form 5472 for filing instructions and penalties for failure to file.

See section 6038A(c)(5) and the related regulations for the constructive ownership rules of section 318 that apply in determining if a corporation is foreign owned.

NOTE

If another entity owns 20% or more of the client's corporation, or owns 50% or more of the corporation's stock entitled to vote, see "Schedule K, Line 4" on page 19.

Schedule K, Line 13

On line 13 of screen **K**, select **Yes** if the corporation's total receipts (line 1a + lines 4 through 10 on page 1 of Form 1120) are less than \$250,000 for the tax year, and its total assets at the end of the tax year are less than \$250,000.

If the answer to line 13 is **Yes**, in the lower text box of line 13 enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. (An entry here is added to the amount calculated from entries on line 5 (Distributions) on the **M2** screen and reflected on page 4, line 13, of the 1120 return.)

NOTE

If the answer on line 13 is **Yes**, the corporation is not required to complete Schedules L, M-1, or M-2. To force the software to print these forms, go to the **PRNT** screen and select **Force Schedules G (1120-C), L, M-1, and M-2 to be printed**.

Schedule K-1

The 1120 package includes a **K1P** screen for entering information from Form 1065, Schedule K-1. This screen works the same as it does for the other packages, with amounts being carried automatically to the appropriate forms, schedules, and lines. In addition:

- Ordinary income is carried to Form 1120, page 1, line 10, "Other income," with the partnership name and EIN (required information)
- Ordinary losses are carried to Form 1120, page 1, line 26, "Other deductions," with the partnership name and EIN (required information)

Codes or lines not included require additional information not available to the program and must be manually entered in the proper place in the return.

State-Specific Information**Resident State**

The program automatically generates a return for the corporation's resident state. Use screen **2** to enter company information as it should appear on the state return.

NOTE

The link to screen **2** is on the **States** tab, (or enter 2 in the selector field and press ENTER.)

Company information includes the type of return that applies for state purposes (consolidated, composite, controlled group, multi-state), and state-specific dates and numbers for identification.

NOTE

The company information fields on screen **2** apply for the resident state only.

Other States

Data for other states must be entered manually in state data entry. To access state data entry, select the **States** tab, or enter the two-letter state code in the selector field and press ENTER.

Multi-State Apportionment

Enter sales, payroll, and property factors on the **APPT Multi-State Apportionment** screen. This screen provides one central location for entering all state apportionment information instead of having to open each needed state's screen.

In addition to making data input faster and easier, this feature provides two worksheets: a summary worksheet (SA-SUM~) that can be used for verifying input, and a reconciliation worksheet (SA-REC) that ties the total of the state amounts to the federal return figures. These worksheets are available in View mode.

The individual state apportionment screens will continue to be available in Drake12 but will be used to override data entered on the **APPT** screen. No state apportionment-related screens will be updated from Drake11 to Drake12.

Figure 8: State APPT screen

NEW FOR 2012

Mark the **Zero Apportionment** check box (Figure 8) to add a state but not include any apportionment data. This will include the state on the apportionment summary worksheet (SAC-SUM~), available through View mode.

APPT Screens The **APPT** screen is opened to the **Sales** tab. Links at the top of this screen open the **Payroll**, **Property**, and **Additional Property** information tabs for each state selected. These screens and their uses are listed in Table 1:

Table 1: APPT Screens

Screen	Information
Sales	Select state; enter sales, returns and allowance, and other income-related information for each selected state
Payroll	Enter salary, wage, commission, and labor amounts for each selected state
Property	Enter beginning and ending amounts of common apportionment factors, plus select additional apportionment factors from drop lists
Additional Property	Select additional apportionment factors from drop lists

NOTE

The **Ending** amount entered on the **Property** and **Addition Property** screens in Drake12 will become the **Beginning** amount for property on the **APPT** screen when the client's return is updated next year in Drake13.

You may enter up to four states on one **APPT** screen. If you need more than four states, press PAGE DOWN for a new **APPT** screen. The same state can be entered more than once when additional fields are needed.

Select **OT Other Reconciliation** from the **State Selection** drop list when using the reconciliation worksheet. Not every item appearing on the federal return may be subject to multi-state apportionment. When you select **OT**, the data entered becomes a reconciling adjustment amount to aid in tying to the federal return.

Enter as much or as little detail as the states require. If a state does not require any information to be entered, no information will flow to that state's return.

Contact Information

If certain contact information required for state purposes is different from that entered on screen **1**, use screen **2**. This screen has fields for the following types of contact information:

- Registered office
- Principal place of business
- "Books in care of"
- General contact information for the name, title, e-mail address, ID number, and telephone number of the corporation's contact person.

Access screen **2** from the **States** tab or by entering 2 in the selector field and pressing ENTER.

Other Information and Overrides

Use screen **1** to enter the following additional information:

Resident State — If the corporation has a mailing address in one state but does business in another, select the state in which the corporation does business from the **Resident State** drop list.

Drake Codes and Overrides — Screen **1** includes fields for miscellaneous codes, invoice numbers, and several overrides. See “Listing a Different Firm, Preparer, or ERO on a Return” in Chapter 2 and “Miscellaneous Codes” in Chapter 5 of *Drake Software User's Manual: Tax Year 2012* for more information.

NOTE

Worksheets outlining these and other adjustment and override fields are accessible through the **FAQs** (Frequently Asked Questions) screen. For more information, see “Guide to Overrides and Adjustments” on page 33.

Schedule L (Balance Sheet per Books)

Schedule L is required if the corporation's total receipts for the tax year or its total assets at the end of the year are greater than \$250,000.

Flow of Information

Many of the entries made elsewhere (such as inventory information from Schedule A) flow automatically to the generated Schedule L. Depreciable asset information from the **4562** screen and intangible assets and amortization also flow to Schedule L.

Use the corporation's balance sheet to enter data directly onto Schedule L.

NOTE

See “Importing Trial Balance Information” on page 38 for information on using the trial balance import to enter Schedule L data.

The SCH2 Screen

The **SCH2** screen (see Figure 9 on page 24) is used to provide detailed information required by the IRS for certain lines on Schedule L. The amounts are carried to Form 1120 and printed on an attached statement.

This screen can also be used in place of the actual **L** screen in Drake. If you use this screen for all applicable lines on Schedule L, you *do not* need to make any entries on screen **L**.

NOTE

To access the **SCH2** screen from screen **L**, click an **SCH2 Screen** link. Press ESC to return to screen **L**.

Entering Information

To create a statement for a line using the **SCH2** screen, select the desired line from the **Line Number** drop list and enter descriptions and their corresponding amounts.

Line Number		
6 Other current assets		
Description	Beginning of year	End of year
Notes receivable	0	
Parts inventory	54321	
Loans receivable	10203	
Taxes prepaid	12033	

Figure 9: SCH2 screen fields for line number, description, and amounts

Once the information is entered, or if additional descriptions are required for the line, press PAGE DOWN to access a new screen.

NOTE

All line selections and screen descriptions are carried to the next year, and year-end amounts are carried to the beginning-of-year column, when the returns are updated.

Statements

The total amounts entered on the **SCH2** screen do not show up on the actual **L** screen in the program. They are, however, printed on the return where needed, with references to the corresponding statements.

The type of statement produced by the program depends on the selected line and the IRS requirements. If a line is required, a statement labeled "STATEMENT" is produced and is e-filed with the return. If a line is *not* required, a statement sheet ("STMT") is produced and is NOT e-filed with the return.

Note that an e-fileable "STATEMENT" is referenced in the return.

SCH2 and Trial Balance Import

Typically, one or more **SCH2** screens are needed for Schedule L items. Data for the **SCH2** screens cannot be entered directly into the trial balance worksheet. Although the amounts must be included in the trial balance worksheet for the worksheet to balance, the **SCH2** detail screens must be created separately from the worksheet. When the return is produced, Schedule L will reflect both the amounts imported from the trial balance worksheets (where direct entry was allowed) and the totals of the **SCH2** screen amounts.

See "Importing Trial Balance Information" on page 38 for detailed instructions using the trial balance worksheet for **SCH2** items and amounts.

Autobalance

Autobalance forces Schedule L to balance for both the beginning- and end-of-year amounts. The program adjusts the unappropriated retained earnings amount on Schedule L by the difference between the total assets and the total liabilities and capital *before* the adjustment. For example, if assets are \$1,000 and liabilities and capital are \$900, the program increases the unappropriated retained earnings by \$100.)

The program makes the adjustments due to differences in the balance sheet. Incorrect data entry could cause these differences but they are usually the result of one of the following issues:

- An asset was deleted from **4562** screen (**Depreciation - Detail Items**) instead of being indicated as sold.
- Beginning inventory amounts were adjusted on the Schedule A or ending inventory amounts were entered incorrectly.
- Amounts were erroneously deleted from or changed on screen **L**.

To reconcile the differences, it is best to compare the corporation's beginning and ending balance sheet amounts for the tax year.

To turn off this feature for a specific return, go to the **PRNT** screen and select **Turn off autobalance**.

NOTE

If you are using trial balance import, autobalance must be turned off prior to import. See "Preparing to Use Trial Balance Import" on page 38.

Schedules M-1 and M-3 (Reconciliation of Income per Books)

Schedule M-1 is required if the balance sheet's total assets at the end of the year exceed \$250,000 but are less than \$10 million. Schedule M-3 is required if the balance sheet's total assets at the end of the year equal or exceed \$10 million.

NOTE

If the corporation is filing Schedule M-3, any entries on the **M1** screen (for Schedule M-1) should be deleted.

Schedule M-1

Schedule M-1 shows all items of income and expense that are not subject to tax, plus those accounting items that are not income tax items. When required, the corporation must reconcile book income with the taxable income.

Use the **M1** screen schedule to enter book-to-tax difference for Schedule M-1. Book-to-tax differences are classified as permanent or temporary, and as favorable or unfavorable. Examples of both kind of differences are shown in Table 2.

Table 2: Examples Book-to-Tax Differences for Schedule M-1

Difference	Description	Examples
Permanent	Book or tax items that will never be reported for book or tax purposes	<ul style="list-style-type: none"> - Meals & entertainment limitations - Penalties - Tax-exempt interest
Temporary	Items that will be reported for both tax and book purposes, but not during the same tax year	<ul style="list-style-type: none"> - Depreciation - Gains or losses on the sale of depreciated assets

Table 2: Examples Book-to-Tax Differences for Schedule M-1

Difference	Description	Examples
Favorable	Items that reduce taxable income	- Instances in which tax depreciation amount is greater than book depreciation amount
Unfavorable	Items that increase taxable income	- Disallowed meals & entertainment

Schedule M-3

Schedule M-3 is completed using the following screens, all found on the **General** tab of the **Data Entry Menu**:

- **M3**, **M31**, **M32**, and **M33** — for **Parts I**, **II**, and **III** of the Schedule M-3
- **M3B** — for Schedule B Additional Information for M-3 filers
- **SCH3** — for subsidiary schedules for Schedule M-3 and Form 9916-A
- **M3S** — for supplemental statements
- **8916** — for reconciling of M-3 with taxable income for mixed groups
- **916A** — for supplemental attachments to the M-3

If the corporation is required to file (or voluntarily files) Schedule M-3, the corporation *must* file Form 1120 and all attachments and schedules, including Schedule M-3.

NOTE

Certain income and deduction amounts and adjustments flow from Form 1120 to Schedule M-3 and Form 9916A in the program, but all other M-3 data must be entered manually.

If Schedule M-3 is present in a return, no Schedule M-1 is generated.

Parts I-III

Part I of Schedule M-3 asks certain questions about the corporation's financial statements and reconciles financial statement worldwide net income (loss) for the corporation (or consolidated financial statement group, if applicable) as reported on Schedule M-3, Part 1, line 4, to net income (loss) per the income statement of the corporation for U.S. taxable income purposes, as reported on Schedule M-3, Part 1, line 11.

Parts II and III reconcile financial statement net income (loss) for the U.S. corporation (or consolidated tax group, if applicable) as reported on Schedule M-3, Part II, line 30 (column d), to taxable income (loss) as reported on Form 1120, page 1, line 28.

The software carries certain items that are readily available, but it does not balance the M-3 automatically. To ensure that the M-3 balances, additional data entry may be required on the **M31**, **M32**, and **M33** screens.

Schedule B

Schedule B is required when an M-3 is present in a return. Use screen **M3B** for Form 1120 Schedule B, Additional Information for M-3 Filers.

The SCH3 Screen

The **SCH3** screen is similar to the **SCH2** screen and is used to provide detailed information for Schedule M-3 and Form 9916-A. It can be used in place of the actual **M3**

and **8916A** screens. For more information on using this type of screen, see “The SCH2 Screen” on page 23.

Schedule M-2 (Unappropriated Retained Earnings)

Information from Schedule M-2 Unappropriated Retained Earnings form ties to the Schedule L, line 25 portion of the balance sheet. Increases, distributions, and other decreases to the retained earnings are entered on Schedule M-2. Unappropriated retained earnings refer to corporation income that has not been distributed to shareholders that is available for dividend distribution.

M-2 Troubleshooting

The beginning Unappropriated Retained Earnings flows from Schedule L (Balance Sheet), and the Net Income (Loss) per books flows from the completed Schedule M-1 or M-3 on Form 1120. These numbers, combined with amounts entered on the **M2** screen, are used to calculate the ending Unappropriated Retained Earnings.

If the computed amount does not match the amount in the completed Schedule L (Balance Sheet), the system produces an EF message that the M-2 is out of balance. Solving this problem can be challenging, since it can have any of several causes:

- The beginning balance sheet entries are inaccurate
- The Beginning of Year unappropriated retained earnings amount (line 25 on screen **L**) entered on the **SCH2** screen for line 24 (Retained earning-Appropriated) is incorrect
- Autobalance is not turned on (See “Autobalance” on page 24.)
- The ending balance sheet entries are inaccurate
- The net income per the tax return is inaccurate
- The reconciling items on Schedule M-1 or M-3 need to be adjusted
- The reconciling items on Schedule M-2 need to be adjusted.

If the items are off by a couple of dollars or less, resolve the problem by entering a reconciling item on the **M2** screen:

- 1.** Double-click in a field on the **M2** screen to open a detail (CTRL+W) worksheet.
- 2.** Enter an amount and the word “Rounding” as the description.
- 3.** Press ESC. The program returns to the **M2** screen.

If the problem is not resolved, it may be necessary to do a detailed comparison between the corporation's financial records and the completed return information.

Schedule O (Controlled Group Information)

Use screens **O** and **OM**, accessible from the first **Other Forms** tab, to fill out Schedule O, Consent Plan and Apportionment Schedule for a Controlled Group. Press PAGE UP and PAGE DOWN to navigate from screen to screen.

NOTE

Members of a controlled group are entitled to one \$50,000, one \$25,000, and one \$9,925,000 taxable income bracket amount, in that order.

AMT Adjustments and Other Items

Alternative Minimum Tax (AMT) adjustments are limited among the members of a controlled group. These should be entered in the **Other** information fields of the **OM** screen (Figure 10).

Other apportionments for the corporation listed on screen 1								
Accumulated earnings credit	AMT exemption amount	Phaseout of AMT exemption amount	Penalty for failure to pay estimated tax	Other				
				<table border="1"> <thead> <tr> <th>Description</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> </tr> </tbody> </table>	Description	Amount		
Description	Amount							

Figure 10: Other information fields for other AMT adjustments

Types of Controlled Groups

At the top of screen **O**, mark the box indicating the type of controlled group for which Schedule O is reporting. Controlled group types are briefly defined below. See Schedule O instructions for more details.

- **Parent-subsidiary group** — One or more chains of corporations that are connected through stock ownership with a common parent corporation if certain conditions apply.
- **Brother-sister group** — Two or more corporations if the same five or fewer persons who are individuals, estates, or trusts directly or indirectly own stock of each corporation with a certain amount of voting power.
- **Combined group** — Three or more corporations, each of which is part of a parent-subsidiary group or a brother-sister group, and one of which is (1) a common parent corporation included in a group in a parent subsidiary group, or (2) included in a group of corporations in a brother-sister group.
- **Life insurance companies only** — Two or more insurance companies subject to tax under section 801, that are members of one of the previously described groups, are treated as a particular type of controlled group.

Line 5, Apportionment Plan Status

The corporation is required to provide information about the status of the group's apportionment plan. Select the applicable box on screen **O** to show the status of the controlled group's apportionment plan. If adopting a plan or amending the current

plan for a prior tax year, at least one year must remain on the statute of limitations for each group member for assessing any resulting deficiency.

Credits and Adjustments

Certain credits require an adjustment to either income or expenses. Drake 2012 carries the required adjustments to the appropriate line of the return and to Schedule M-1 or M-3. Manually reducing the expenses/deductions or increasing the income for these credits causes the return to be out of balance.

Adjustments are made to other income for the credit amounts for the following credits:

- Form 6478, Alcoholic and Cellulosic Biofuel Fuels Credit
- Form 8864, Biodiesel and Renewable Diesel Fuels Credit
- Form 8912, Credit to Holders of Tax Credit Bonds (interest income)

Adjustments are made to the appropriate deduction/expenses for the credit amounts for the following credits:

- Form 5884, Work Opportunity Credit
- Form 6765, Credit for Increasing Research Activities
- Form 8820, Orphan Drug Credit
- Form 8845, Indian Employment Credit
- Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips
- Form 8881, Credit for Small Employer Pension Plan Startup Costs
- Form 8844, Empowerment Zone and Renewal Community Employment Credit
- Form 8932, Credit for Employer Differential Wage Payments
- Form 8941, Credit for Small Employer Health Insurance Premiums

Adjusting Charitable Contributions/NOL

Corporations with a net operating loss (NOL) carryover from any taxable year must apply the special rule of IRC section 170(d)(2)(B) for charitable contributions. The rules are designed to prevent a double tax benefit through interaction of NOL and charitable contribution carryovers. The excess charitable deduction can reduce taxable income only once. Under these rules, a corporation's charitable contributions carryover (but not the NOL carryover) must be reduced to the extent the charitable contribution deduction, in computing the taxable income of an intervening year, would increase the NOL to a succeeding year.

Limitation on Deduction

The total amount claimed cannot be more than 10% of taxable income (line 30) computed without regard to the following:

- Any deduction for contributions
- The special deductions on line 29b

- The deduction allowed under section 249
- The domestic production activities deduction under section 199
- Any net operating loss (NOL) carryback to the tax year under section 172
- Any capital loss carryback to the tax year under section 1212(a)(1)

To prevent the double benefit from the excess charitable contribution deduction when there is a charitable contribution on the return and an NOL carryover, the program makes the IRC section 170(d)(2)(B) adjustment. In this situation, the charitable contribution carryover amount is reduced on column C of the Contribution Limitation/Carryover worksheet (WK_CNTRB in View mode), and the NOL carryforward is increased on the ATT_NOL worksheet.

Elections

The ability to make certain tax elections is included in the business packages. Elections are selected from the **Return Elections** section of the **ELEC** screen (Figure 11).

Figure 11: Return Elections portion of ELEC screen

Making an Election in Drake

To indicate that the corporation is making an election:

1. Open the **ELEC** screen (accessible from the **Miscellaneous** tab of the **Data Entry Menu** (or by typing **ELEC** in the selector field and pressing **ENTER**).
2. Make a selection from the **Election** drop list. (See Figure 12 on page 31.)

Return Elections	Election
Description.....	01 - General Election Statement
Cost, basis, amount, years.....	02 - Capitalize and Amortize Circulation Costs over 3 Years
Date or year-ending.....	03 - Capitalize and Amortize Research and Experimental
Other cost, basis, or amount.....	04 - Capitalize and Amortize Intangible Drilling and Development
Other date or year-ending.....	05 - Capitalize and Amortize Mining Development Costs
	06 - Capitalize and Amortize Mining Exploration Costs
	07 - Include Commodity Credit Loan in Income (sec 77a)

Figure 12: Election drop list

- Complete all other fields as applicable. Press F1 in any field to learn if a field is required for your selection and the type of information that may be needed. For example, the help text for the **Date or year-ending** field shows that the field is required only for election options 08, 09, 11, and 15, and it explains what, specifically, should be entered for each of these elections.

Drake Software - Data Entry - Help

Date or Year Ending (direct entry)

Enter the date or year-ending required for the selected election.

The description field is used on the following election statements for this package:

STM #	Use:
08	Date of Disaster
09	Date of Contribution
11	Date Paid or Incurred
15	Date Payment Received

Figure 13: Help text for **Date or year-ending** field on ELEC screen

NOTE

If the election option you selected is not listed in the help text for a field, then that field should be left blank. For example, if you chose election 01 (General Election Statement), you would not need to enter anything into the **Date or year-ending** field (help text in Figure 13).

To open a new **ELEC** screen for an additional election, press PAGE DOWN.

Election Statements

Once an election is made and the return is calculated, the election information is produced on a statement referenced "STM ELXX," where "XX" is the number of the election. For example, election 01 (General Election Statement) is generated as STM EL01.

The election statement includes the election title, election wording, and any additional information required for the election, such a date or amount.

Entries for certain fields are sometimes included in the actual election statement; other times, they are included as separate lines. Signature lines are printed as needed on some statements.

Making Changes on the Fly

Use the **PRNT** screen to override most program defaults.

Suppressing/Forcing Documents

To suppress or force the printing of certain documents, go to the **PRNT** screen and select the desired options. Many “on-the-fly” changes override the options established in Setup.

You can force the program to print the following 1120 items on a return:

- Form 1125-E
- Schedules G (1120-C), L, M-1, and M-2
- Form 4562
- Next-year depreciation listing
- Inactive returns
- PIN for the preparer's alternative electronic signature

NOTE

Form 1125-E is required if total receipts (line 1b + lines 4 through 10) are \$500,000 or more.

Schedules L, M-1, and M-2 are not required if receipts and total assets (Schedule K, line 13) are less than \$250,000.

The **PRNT** screen can also be used to suppress printing of the following items on a return:

- Form and attachment references (References are printed by default.)
- Form 4626, Alternative Minimum Tax—Corporations

Calculation and Other Options

The following calculation and other options are available:

- **Calculate Form 2220 penalty** — Select this box to have the program calculate the penalty for Form 2220, Underpayment of Estimated Tax by Corporations. (The program retains the rates as of 12/31 of the calendar year. If a corporation has a fiscal year end, the preparer must enter the effective rates manually.)
- **Calculate WK_1120W based on 2012 taxable income** — The WK_1120W is an estimated tax worksheet based on the current tax year taxable income.
- **Calculate Form 4466 (application for quick refund)** — Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax. (A check mark in this box is the only entry needed to generate the form.)
- **Turn off autobalance** — For more information on the autobalance feature in Drake, see “Autobalance” on page 24.

- **Prepare Form 7004 extension based on screen 1 info** — Select this box to prepare a six-month extension based on the information that has already been entered into the return. Note that screen **1** must be completed to prepare an extension.

NOTE

To prepare Form 7004 based on information other than (or in addition to) that provided on screen **1**, use the **7004**, or **EXT**, screen.

Overriding Other Setup Options

The following program defaults can be overridden from the **PRNT** screen:

- Filing instructions (federal and state)
- Envelope coversheets (corporation, IRS, state, and city)
- Date to print on return
- Due date to print on letter and filing instructions (see note below)
- Amount on Form 1120, page 1, item D ("Total assets")
- IRS Service Center

NOTE

A default due date for filing is printed on all letters and filing instructions generated with a return. You can override the default by entering an alternate due date in the **Due date to print on letter and filing instructions** field on the **PRNT** screen.

Guide to Overrides and Adjustments

Appendix B and Appendix C of this supplement are overrides and adjustments worksheets that allow preparers to see what data or calculations are being affected when an entry is made in an override or adjustment field. These worksheets can provide a better understanding of how overrides and adjustments work in the software.

NOTES

These worksheets are also available through the **FAQ** screen from any **Data Entry Menu**. Click the **Screen Help** button at the top of the **FAQ** screen, then click the link for the desired worksheet and wait for the worksheet to be displayed as a PDF file. An Internet connection and Adobe Reader are required in order to view the worksheets.

Much of the information contained in the worksheets is also available from the field-level helps within the program. To access a field-level help, click inside a field and press F1, or right-click in a field and select **View Help**.

Electronic Filing

Steps for e-filing Form 1120 are the same as for e-filing Form 1040, with the exception of bankruptcy returns, which must be paper-filed.

Common Error Codes

If one or more of the following IRS error reject codes is generated when e-filing an 1120 return, the preparer must contact the IRS for further information. The IRS e-Help Desk telephone number is (866) 255-0654.

- **Reject Code 307** — Filer's TIN and "Name Control" in the return header must match data in the e-file database unless Form 1120, Item E (3), check box "Name Change" is marked.
- **Reject Code 900** — The return type indicated in the return header must match the return type established with the IRS for the EIN.
- **Reject Code 905** — Electronic Filing Identification Number (EFIN) in the return header must be listed in the e-file database and in "accepted" status. If you get this reject code, you must update your e-file application to include the 1120 return type. This should be done at the IRS website. Review publication 3112 for details.
- **Reject Code 910** — If "Amended Return" or (Superseded for 1120/1120S) check box is not selected, then Taxpayer TIN in the return header must not be the same as a TIN of a previously accepted paper return for the return type and tax period indicated in the tax return.

Special Types of Returns

This section covers 52-53-week year returns and inactive returns. Both types of returns can be e-filed using Drake.

Electing a 52-53-Week Year (Initial Return)

To elect a 52-53-week year, a *new* entity (one that has never filed a return) must enter data on both screen **1** and the **ELEC** screen.

To elect a 52-53-week year for any entity:

1. In the **If not calendar year** section of screen **1**, enter the **Fiscal year beginning** and **Fiscal year ending** dates. Use MMDDYYYY format, as shown in the example in Figure 14.
2. Mark the **52-53-week tax year** box.

Figure 14: In this example, the fiscal year begins 09/25/2012 and ends 09/26/2013 (the Wednesday closest to the end of September), giving the entity a 53-week year for 2012.

NOTE

An entity that has filed returns in the past must complete only steps 1 and 2 of this process. An entity that has never filed a return before must continue with steps 3 through 6.

3. Click the **ELEC** link to open the **Election Options** screen (Figure 15 on page 35).

Figure 15: Elections for 52-53-week tax years

4. For line 1, select the month in which the 52-53-week year ends for the current fiscal year. (01 = January, 02 = February, etc.)
5. For line 2, select the day of the week the tax year always ends.
6. For line 3, enter the actual date that the tax year ends (the same date entered in the **Fiscal year ending** field on screen 1).

NOTE

Once a 52-53-week year is selected, the entity must use that accounting period every year. To change accounting periods, the entity must submit to the IRS Form 3115, Application for Change in Accounting Method.

In subsequent years, only the **52-53-week tax year** check box on screen 1 must be marked; the program automatically updates the dates.

Inactive Returns

Entities that are inactive but are still required to file returns may e-file *inactive* returns in Drake. To indicate that a return is inactive:

1. Go to the **PRNT** screen, accessible from the **General** tab.
2. Under **Items to Print**, mark the **Print inactive return** box.

When the return is calculated, the program displays the words “Inactive Return” on the main form of the return (specifically, in the box above line 1c). Zeros are displayed where required by the IRS in order for amounts to be properly included in the e-file data.

IMPORTANT

All EF messages must be cleared in order to e-file an inactive return.

For detailed instructions on e-filing returns in Drake, see *Drake Software User's Manual: Tax Year 2012*.

Binary Attachments

Binary, or PDF, files can be attached to certain tax forms. These attachments are generally signature or third-party documents such as a copy of a signed lease or a signed appraisal statement. In some instances, the IRS requires that a document be attached to an e-filed return; in other instances, a document can be attached voluntarily to sup-

port or explain an entry in the return. In either case, a PDF must be available to be attached to the return in order to be e-filed with the return.

Attach files through the **PDF Attachments** screen, accessible from the **Electronic Filing** section on the **General** tab of the **Data Entry Menu**.

The PDF Attachment Process

Three main steps are involved in the PDF attachment process in Drake:

1. Creating a PDF file to be attached
2. Informing the program that a PDF file will be sent with the return
3. Attaching the PDF file for e-filing

These steps are described in the following sections.

Creating a PDF File

To create a PDF file:

1. Scan the document to be attached to the return as a PDF document.

TIP

It's a good idea to use the DDM scanning feature for this step.

2. Save the document to your client's DDM file, your computer's desktop, or anywhere you can readily find it.

NOTE

Many types of documents (for instance, documents created in Microsoft Word) can be printed or "saved" as PDF files if you have a PDF printer (such as Adobe Reader) installed.

Adding PDF Files

To indicate in the software that a PDF file will be sent with the return:

1. Go to the **PDF** screen in data entry.
2. Fill out the columns on the screen. See Table 3 for examples.

Table 3: PDF Attachment Window Columns

Column	Description	Examples
Reference Source	Name or number of regulation, publication, or form instruction that makes attachments necessary	- IRS Pub xxx-1.4 - Form Instructions for 1120
Description	Description of form or document to be attached	- Title of house on Oak Street - Appraisal of Lot 1234
File name	Distinctive, easily recognizable file name, followed by ".pdf"	- TitleHouseOakSt.pdf - AppraisalLot1234.pdf

3. Exit the **PDF** screen.

Because you've indicated that a PDF file is attached, the program generates an EF message regarding the attachment when the return is calculated.

Attaching Documents to the Return

To attach a PDF file to a return:

1. From the return, click **View**. If anything was entered on the **PDF** screen (see "Adding PDF Files," previously), there will be three PDF-related items in the **View/Print** window:
 - A red **MESSAGES** alert (see item 1 in Figure 16)
 - An **EF_PDF~** worksheet that lists all items entered on the PDF screen (see item 1 in Figure 16)
 - An **Attach PDF** button on the toolbar (item 2 in Figure 16)

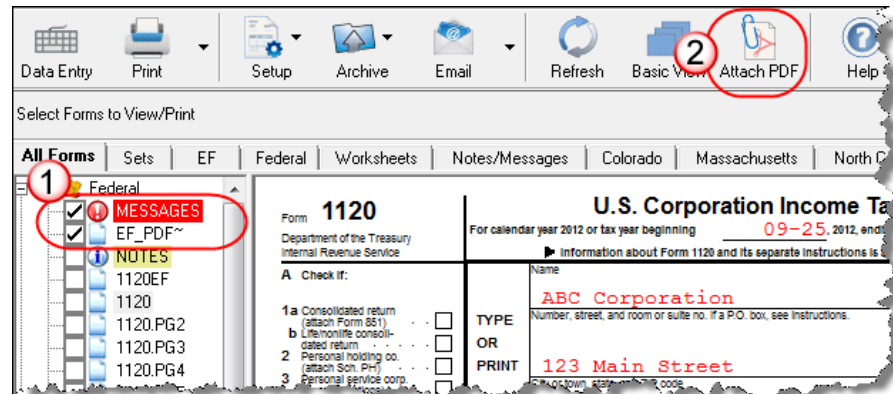


Figure 16: The red **MESSAGES** file and the **Attach PDF** button

2. Click **MESSAGES** file to view EF messages, which provide information on how to attach the required documents to the return.
3. Click the **Attach PDF** button in the toolbar at the top of the window. The **EF PDF Attachments** window (Figure 17) displays the information entered on the **PDF Attachments** window in data entry. A red **X** means the document has not yet been attached; a green check mark indicates an attached document.

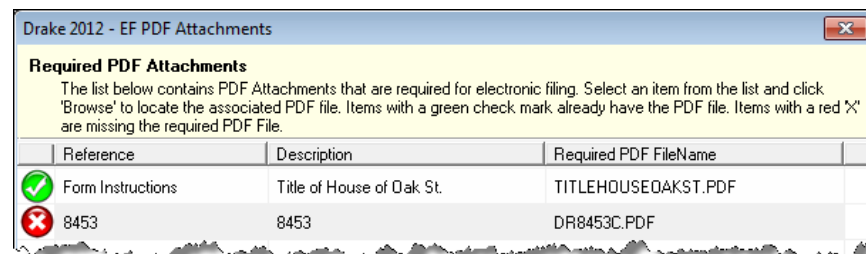


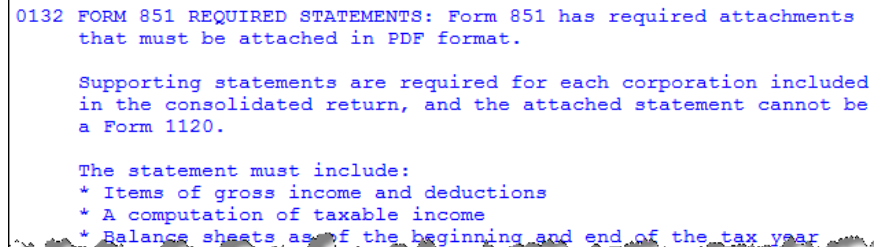
Figure 17: The **EF PDF Attachments** window

4. Click the row of a document to attach (one with a red **X**).
5. Click **Browse**.
6. Browse to the proper folder, select the PDF file to attach, and click **Open** (or double-click the file name).

Repeat for all documents with a red **X**. When all documents have been attached to a completed return, recalculate the return to make sure all EF messages have been cleared. If so, the return is ready to be e-filed.

Printing Generated Documents

In some instances, Drake generates a document that must be attached to the return. For example, if Form 851, Affiliations Schedule, is present in a corporate return, message 0132 is generated when the return is calculated.



```
0132 FORM 851 REQUIRED STATEMENTS: Form 851 has required attachments
that must be attached in PDF format.

Supporting statements are required for each corporation included
in the consolidated return, and the attached statement cannot be
a Form 1120.

The statement must include:
* Items of gross income and deductions
* A computation of taxable income
* Balance sheets as of the beginning and end of the tax year
```

Figure 18: EF message regarding Form 851

As shown in Figure 18, the EF message states that attachments are required. You would then need to obtain or complete the statements, scan them into the computer, save them as a PDF file, and attach them to the return.

Importing Trial Balance Information

Drake's trial balance import feature allows data to be imported into an 1120 return from a trial balance worksheet. The trial balance template and importing function has the following benefits:

- Eliminates the need to duplicate entries
- Reduces data entry errors by automatically importing data to the correct fields
- Allows preparers to merge basic accounting functions with tax preparation

NOTE

A flow chart of the trial balance importing process is available as an appendix at the end of this manual.

Preparing to Use Trial Balance Import

The trial balance import function can be used only on returns that were created in Drake 2008 or later. If you haven't already, create a client file in Drake or update an existing client file from the prior year. Like several other functions of the tax software, this new feature requires Microsoft Excel (version 2000 or later).

In addition, take these actions to ensure the trial balance import works properly:

- **Activate Macros** — The trial balance import function uses macros in Microsoft Excel. Check your Excel settings to ensure that macros are activated and that macro security is set to "medium." To do so, go to **Tools > Options** in Excel and

select the **Security** tab. Click **Macro Security** and select **Medium**, and then click **OK**.

NOTE

In Windows 7 and in Microsoft Vista, click the **Office** button in the upper left and then click the **Excel Options** button at the bottom of the window. Next, select **Trust Center** from the list at left, then click the **Trust Center Settings** button. Select **Macro Settings** from the list on the left, then choose **Disable all macros with notification**. Click **OK** and then **OK**.

- **Disable Autobalance** — When autobalance is disabled, the program is prevented from automatically adjusting the year-end retained earnings or capital amounts, thus allowing you to see any discrepancies in the balance sheet. To disable autobalance, go to the **PRNT** screen and select **Turn off autobalance**.
- **Force Schedule L** — By default, the program does not display the balance sheet amounts on the return if the entity does not meet the filing requirement. If this is the case, you must override the default in order to have the amounts shown on Schedule L. To force the Schedule L amounts to be printed, go to the **PRNT** screen and select the applicable check box (Figure 19).

Figure 19: Check box for forcing Schedule L

- **Check for Detail Worksheets** — The trial balance import allows only those detail worksheets required by the IRS. Check updated returns for detail (CTRL+W) worksheets that are *not* required. For example, the IRS does not require a detail worksheet for the **Gross receipts or sales** field on the **INC** screen; if a return has a detail worksheet for that field, the trial balance will not be imported correctly into the return. Detail worksheets are indicated by red shading, as shown in Figure 20.

Figure 20: Example of an “unnecessary” detail worksheet

Remove unnecessary detail worksheets prior to import. See “Detail Worksheets” on page 42 for more information on using detail worksheets in the trial balance.

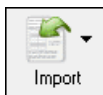
Preparing Financial Data for Import

To prepare the financial data for importing into the return, the data must be entered into Drake's specially designed trial balance template. Once this information is entered and saved, it can be imported into the return.

Opening a Template

The first step in preparing financial data for importing is to open a trial balance template for the return and enter the financial data.

To open a trial balance template for a return:



1. Open the return to the **Data Entry Menu**.
2. Click **Import > Trial Balance Import** in the menu toolbar. The preliminary **Trial Balance Import** dialog box is opened.
3. Click **Create New** or **Open Existing**. If opening an existing file, click **Open** after selecting the correct file.
4. If a **Security Warning** box appears, click **Enable Macros**.

NOTE

In Windows 7 and Microsoft Vista, you may see a **Security Warning** message with an **Options** button. Click **Options** to open the **Security Options** dialog box, then select **Enable this content**. Click **OK**.

The trial balance template is displayed in Microsoft Excel.

Naming Convention

Whenever a new template is opened, the tax software assigns it a default file location and name. Trial balance templates are saved in the TB folder of your Drake12 software. The file name consists of the client name as entered in Drake, plus "TB" for "trial balance," plus the ".xls" extension assigned to all Excel files, as shown in Figure 21.

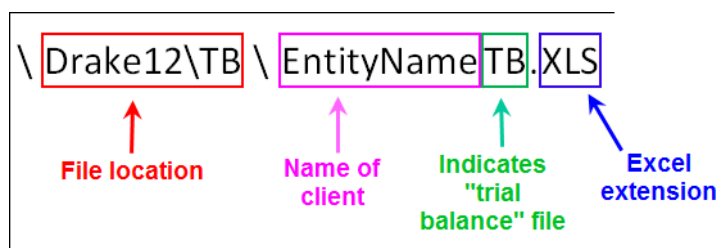


Figure 21: Example of trial balance template file name

To change the name of a file in Excel, select **File > Save As** and assign the new name.

NOTE

If saving a trial balance to a different location, make a note of where you're storing it. The program automatically looks in the default directory.

Template Structure

The trial balance template consists of three title rows and six columns. The **Entity Name** and **Year End** title rows can be edited; double-click a row to change the title. Columns are described in Table 4.

Table 4: Trial Balance Template Columns

Column	Description
Account Title	Title of account
Debit/Credit	Debit and credit amounts
Import to	Screen and line in Drake to which the debit or credit amount is imported
Form, Page, Sch, and/or line	Location of the amount on the printed return
Other information	Additional details for preparers; see "Details for Preparers" on page 44.

Displayed at the bottom of the trial balance worksheet are the calculated amount for Schedule M-1, line 1; the credit and debit totals; and a cell showing whether or not the balance sheet is out of balance and, if applicable, the out-of-balance amount (Figure 22; see also Figure 25 on page 43).

Wages (Detail below)		
Officer compensation	\$0	
Salaries and wages	\$0	
Waste removal	\$0	
Net Income (Loss) = Schedule M-1, line 1	\$301,056	
Totals	\$971,304	\$971,301
	OUT OF BALANCE?	\$3

Figure 22: Schedule M-1 amount (1); totals (2); and indication of balance (3)

Following are instructions and guidelines for using the trial balance template to assemble financial data for importing into data entry.

Entering Financial Data

When a new trial balance file is opened for a return, all debit and credit amounts are zero (\$0). All data must be entered manually into the template.

NOTE

Some data cannot be imported from the trial balance and must be entered directly into the data entry fields within the program. For more on these categories of data, see "Special Conditions" on page 44.

Direct Entry

Most cells in the trial balance worksheet are view-only. In a new template, editable debit and credit cells are indicated by a dollar amount (\$0).

Detail Worksheets

Some cells require more detail than can be entered on a single line. These cells are indicated by buttons. (Buttons do not work if macros are disabled; see “Opening a Template” on page 40.)

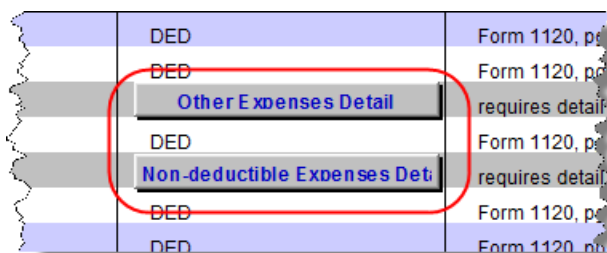


Figure 23: Example of cells that require worksheets

Click a worksheet button to open a worksheet in a new tab. Figure 24 shows an example of the “Other Income” worksheet.

Line Description	Amount	Import to:
1 Amount of credit for tax on fuels (Form 4136)	\$0	INC, line 10
2 Interest income on receivables	\$0	INC, line 10
4 Recoveries of bad debts deducted in earlier years	\$0	INC, line 10
5 Section 481 adjustments	\$0	INC, line 10
6 State tax refund (cash basis)	\$0	INC, line 10
7 Taxable income from insurance proceeds	\$0	INC, line 10
8 Other	\$0	Other Income Detail
Total other income	\$0	

Figure 24: Trial balance worksheet for “Other Income”

To return to the previous worksheet, click the **Corp TB** tab (labeled “1” in Figure 24), or click the **Return** button above the worksheet tabs (labeled “2” in Figure 24). Note that a detail tab (the “Other Income” tab in Figure 24) might include one or more detail worksheets (labeled “3” in Figure 24).

NOTE

Do not create detail worksheets in data entry if the trial balance worksheet does not provide an equivalent detail worksheet. Otherwise, the trial balance will not be imported correctly.

Totals Totals are displayed at the bottom of each worksheet. If credit and debit columns are out of balance, the worksheet highlights the out-of-balance amount (Figure 25).

Wages (Detail Below)		
Officer compensation	\$0	
Salaries and wages	\$0	
Waste removal	\$0	
Net Income (Loss) = Schedule M-1, line 1		
	\$301,056	
Totals	\$971,304	\$971,301
	OUT OF BALANCE?	\$3

Figure 25: Out-of-balance amount is highlighted if columns are out of balance.

In addition to credit and debit totals, the main trial balance worksheet shows the net income (loss) to be calculated for line 1 of Schedule M-1 after all entries and adjustments are made in the software (see Figure 19 on page 39).

NOTE

The data cannot be imported if the worksheet is out of balance.

Saving a File

To save a file, click the **Save** icon or select **File > Save** from the menu bar. To re-name a file when saving, select **File > Save As**. For more information on file names in the trial balance program, see "Naming Convention" on page 40.

Importing Data into a Return

NOTE

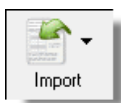
Not all trial balance data can be imported directly into a return. For information on program limitations, see "Special Conditions" on page 44.

Once a trial balance worksheet has been set up for a client in Drake, the trial balance information can be imported into the program and calculated into the return.

NOTE

If you are already in the Trial Balance Import tool for the selected return, go to the **Trial Balance Import** window in Drake and start at Step 3 of the following procedure.

To import a trial balance into a return:



1. Open the return to which you will import the trial balance information.
2. Click **Import > Trial Balance Import** from the menu toolbar. The preliminary **Trial Balance Import** dialog box is opened.
3. Click **Next**.

4. Enter or select the trial balance file to be imported. Use the **Browse** feature if necessary. By default, each trial balance file is an Excel (.xls) file showing the client name and ending in "TB" for trial balance, as shown in the example in Figure 26. (See "Naming Convention" on page 40.)

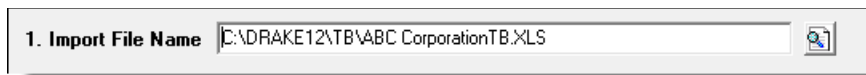


Figure 26: Selected file to import

5. Select the **Trial Balance Additional Import Options**. (See "Additional Import Options" following this procedure.)
6. Click **Next** and wait for the import to be completed.
7. Click **Finish**.

The program returns to the **Data Entry Menu** for the open return. Note that all selected data from the trial balance worksheet has been imported into the return. This can be seen both in the data entry screens and on the generated return.

Additional Import Options

The program can import the following additional information when importing the trial balance data: (Select the items to import or click **Select All**.)

Buildings & other depreciable assets Accumulated depreciation
 Goodwill & other intangible assets Land
 Accumulated amortization

Special Conditions

Some trial balance items cannot be entered into the trial balance worksheet and must be typed directly into Drake data entry. Other items should be entered into the worksheet for balance purposes but are not carried to data entry; these must be entered separately and the calculated results compared to the trial balance worksheet.

Details for Preparers

Most trial balance items go directly to the location indicated in the program and on the return. For example, the amounts shown in Figure 27 go to Schedule L, line 1, column d in the program and are shown on page 5, line 1, column d of the 1120 return.

Debit	Credit	Import to (screen, line):	Form, Page, Sch and/or line
\$10,000		L, line 1, col d	Form 1120, Sch L, line 1, col d
\$50,000		L, line 2a, col c	Form 1120, Sch L, line 2a, col c
	\$50,000	L, line 2b, col c	Form 1120, Sch L, line 2b, col c

Figure 27: Indication of where an amount will go in Drake and on the return

Not all figures can be imported directly, however, and some amounts are optional. Drake has provided an "Other Information" column in the trial balance worksheet to

indicate special conditions and additional information regarding certain rows. Table 5 describes the most common notes in this column.

Table 5: "Other Information" Column Notes

Note	Description
not included in totals	The amount is required for importing purposes only but is not included in the totals shown on the trial balance.
does not import	Information cannot be imported and must be entered on the appropriate screen in Drake. Screen is specified in column to the left of "Other Information."
optional	Amount is optional; not required for import, but could require direct entry in the software.
enter deficit as negative number	Some deficits must be entered as negative numbers.
import includes the calculated change in inventory	Used for "total purchases;" when calculating cost of goods sold (COGS) in the return, the program takes the change in inventory into account for the Schedule A calculation.
[Form or Schedule] may be required	Non-financial information (such as names of officers for a Schedule E) must be completed in Drake, in addition to the financial data entered in the worksheet.

All "does not import" notes are accompanied by further instructions in the column to the left of the "Other Information" column, as shown in Figure 28.

SCH2 Detail

Typically, a balance sheet subsidiary schedule (SCH2 detail screen for Schedule L) is required for an item marked "does not import" on the trial balance.

Enter Corporation Name Here Trial Balance 2012					
Account Title	Debit	Credit	Import to (screen, line):	Form, Page, Sch and/or line	Other Information
Beginning inventory	\$0		A, line 7	125-A, line 7	
U.S. government securities	\$6,060		L, line 4, col d	Form 1120, Sch L, line 4, col d	
Tax-exempt securities	\$0		L, line 5, col d	Form 1120, Sch L, line 5, col d	
Other current assets	\$0		Other Current Assets Detail	SCH2 detail required in Drake	does not import
Loans to shareholders	\$0		L, line 7, col d	Form 1120, Sch L, line 7, col d	
Mortgage and real estate loans	\$0		L, line 8, col d	Form 1120, Sch L, line 8, col d	
Other investments	\$0		Other Investments Detail	SCH2 detail required in Drake	does not import
Buildings and other depreciable assets	\$789,789		L, line 10a, col c	Form 1120, Sch L, line 10a, col c	optional

Figure 28: SCH2 screen required for "does not import" items

To complete an SCH2 detail screen in data entry:

1. Open the SCH2 screen for the return.
2. Select the line number from the SCH2 drop list.
3. Enter the applicable item descriptions and beginning- and end-of-year totals.

To enter details for additional lines of the Schedule L, press PAGE DOWN and repeat steps 2 and 3. Data is saved automatically upon entry.

When the return is produced, the Schedule L of the return reflects both the amounts imported from the trial balance worksheet and the totals of the amounts entered on the **SCH2** screen.

Depreciation

On an 1120 return, total depreciation consists of COGS depreciation, which is reported on Form 1125-A, Cost of Goods Sold, and any remaining depreciation, which is reported on page 1 of the return. For trial balance purposes, enter depreciation amounts directly into the appropriate fields on the trial balance worksheet.

When the trial balance is imported, the COGS depreciation expense amount flows directly to the appropriate line of Form 1125-A on the return. Because the remaining depreciation can comprise any number of assets, the amount entered on the trial balance does *not* flow to the return. To ensure that each component of the total remaining depreciation is calculated into the return, each asset must be entered on the applicable depreciation screens in data entry

NOTE

Entering the remainder of the depreciation on the trial balance worksheet helps ensure that the balance sheet balances and provides a way to check that the amount on line 1 of Schedule M-1 is correct. Compare the calculated line 1 at the bottom of the trial balance to the equivalent line on Schedule M-1 of the calculated return. If the depreciation amounts match but the line 1 amounts differ, an M-1 adjustment could be required.

Appendix A: Trial Balance Import

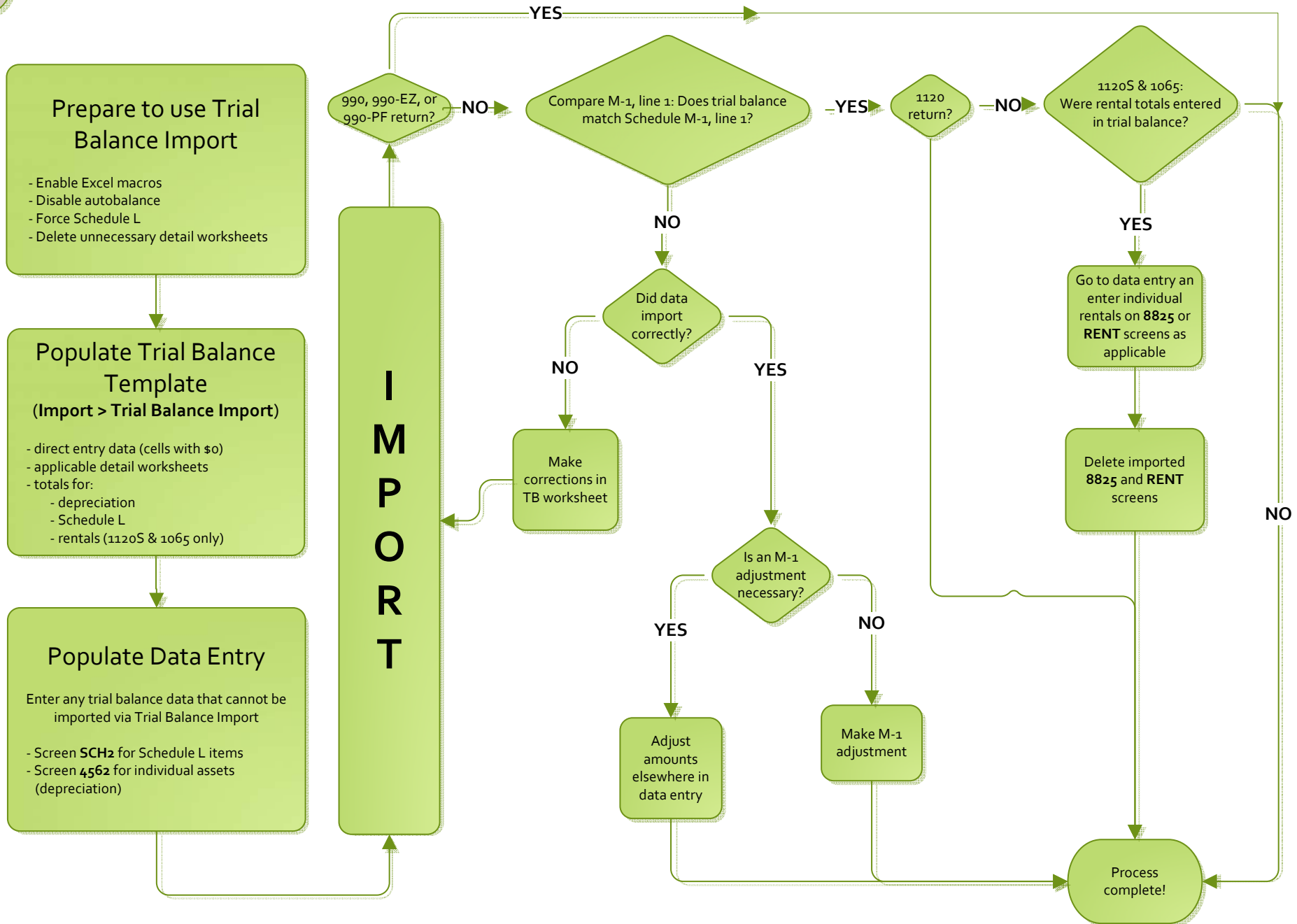
The trial balance import allows data to be imported into a corporate tax return from a trial balance worksheet.

Drake's specially designed trial balance template and importing function has the following benefits:

- Eliminates the need to duplicate entries
- Eliminates data entry errors by automatically importing data to the correct fields
- Allows preparers to merge basic accounting functions with tax preparation

See next page for a flow chart describing the use of the trial balance import.

Trial Balance Import: General Process



Appendix B: Adjustment Worksheet

The Adjustment Worksheet is updated each year to help you understand what happens in the return when certain data is changed through the use of adjustment fields. The following pages contain the 2012 Adjustments worksheet.

These worksheets are also available through the **FAQ** screen. To access them, open the **FAQ** screen, click the **Screen Help** button (or press CTRL+ALT+?) and click the links at the top of the window.

Adjustments Worksheet		
Adjustment Location		Location of Information Being Adjusted
Screen/Line	Field Name	
Form 1120		
INC - Income		
1a	Gross receipts or sales	Adjusts amounts from Schedule F, line 11 (if cash method is used) or line 45 (if accrual method is used).
5	Interest income	Adjusts taxable interest income from Form 6252 when check box is selected.
7	Gross royalties	Adjusts amounts from K1P screen, line 7.
DED - Deductions		
19	Contributions	Adjusts amounts from K1P screen, line 13, codes A and B.
19	Qualified conservation contributions	Adjusts amounts from K1P screen, line 13, code G.
24	Employee benefit programs	Adjusts the amount that flows from Schedule F, line 17, to this line.
18	Interest expense	Adjusts the amount that flows from Schedule F, lines 23 (a) and 23(b).
23	Pension, profit-sharing, and other plans	Adjusts the amount that flows from Schedule F, line 25.
16	Rents	Adjusts the amount that flows from Schedule F, lines 26 (a) and 26 (b).
14	Repairs and maintenance	Adjusts the amount that flows from Schedule F, line 27.
13	Salaries and wages paid to non-shareholder employees	Adjusts the amount that flows from Schedule F, line 24.
11	Other miscellaneous taxes	Adjusts the amount that flows from Schedule F, line 31
Form 1125-A - Cost of Goods Sold		
1	Inventory at beginning of year	Adjusts amount coming from Schedule F, line 46.
2	Purchases	Adjusts amount coming from Schedule F line 47.
4	Additional section 263A costs	Adjusts amounts coming from K1P screen, line 13, code P.
7	Inventory at end of year	Adjusts amount coming from Schedule F, line 49.
Schedule C - Dividends and Special Deductions		
17		Adjusts amounts coming from K1P screen, line 6a.
Schedule K - Other Information		
14/13	If YES, enter the total amount of cash distributions and the book value of property distributions here	Adjusts amounts entered on M-2 screen for lines 5a, 5b and/or 5c.
Schedule M-1 - Reconciliation of Income (Loss) per Books With Income per Return		
4	Income subject to tax not on books	Adjust the amounts coming from Forms 6478 and 8864.
5	Expenses recorded on books but not deducted on Form 1120 : Other	Adjust amounts credit adjustments made from Forms 5884, 5884A, 6765, 8820, 8845, 8846, 8881, expense amounts subject to limitations, and nondeductible expenses carry automatically to this line.
7	Income recorded on books but not included on Form 1120: Other	Adjusts amounts from K1P screen, line 18, code B.
8611 - Recapture of Low-Income Housing Credit		
8	Recapture amount from pass-through entity	Adjusts amounts from K1P screen, line 20, code F and G.
4562 Part 1		
10	Carryover of disallowed deduction from prior year	Adjusts amounts from the 4562 screen.
Form 1120-H		
21	Tax credits	Adjusts credit amounts carrying from Form 8834 and Form 3800.
Form 4626 - Alternative Minimum Tax - Adjustments & Preferences		
2a	Depreciation of post-1986 property	Adjusts calculated amount for current regular expense and AMT depreciation expense reported on Fed_Depr.
2e	Adjusted gain or loss	Adjusts amounts from K1P screen, line 17, code B.
2i	Depletion	Adjusts amounts from K1P screen, line 17, code C.
2n	Intangible drilling Costs	Adjusts amounts from K1P screen, line 17, codes D and E.
2o	Other adjustments and preferences	Adjusts amounts from K1P screen, line 17, code F.
Form 8903 - Domestic Production Activities Deduction		
7	Qualified production activities income from pass-through entities	Adjusts amounts from K1P screen, line 13, code U.
17	Form W-2 wages from pass-through entities	Adjusts amounts from K1P screen, line 13, code V.
Client Bill - Adjustments and Payments		
	Adjustments: Amount	Adjusts amount to be printed on the client's bill; corresponds to the description on the BILL screen.

Appendix C: Override Worksheet

The Override Worksheet is updated each year to help you understand what happens in the return when certain data is changed through the use of override fields. The following pages contain the 2012 Override worksheet.

These worksheets are also available through the **FAQ** screen. To access them, open the **FAQ** screen, click the **Screen Help** button (or press CTRL+ALT+?) and click the links at the top of the window.

Overrides Worksheet		
Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
1120		
1 Corporation General Information screen		
	Preparer fee	Overrides the fee calculated by the software. The fees are entered in Setup > Pricing .
	Firm number	Overrides the default selection (1)
	Preparer number	Overrides the default selection (1)
	Data entry op #	Overrides the default setting (the login name)
	ERO number	Overrides the selection made from the ERO SSN Indicator drop list at Setup > Options, EF tab.
DED - Deductions		
12	Officer Compensation	Overrides amounts entered on screen E in Compensation of Officers field.
1	State income taxes	Overrides state income taxes calculated from information entered on ES screen using the code IN.
2	State franchise taxes	Overrides state franchise taxes calculated from information entered on ES screen using the code FR.
Form 1125-A - Cost of Goods Sold		
5	Depreciation	Overrides calculated amount for entries on 4562 detail screen directed to the COGS in the Form selection box.
Schedule J - Loss Carryback, Tax Computation, and Payments		
12	Prior-year overpayment credited to current year	Overrides entry made on ES screen
13	Estimated tax payments for current year	Overrides the estimated tax payments for TY 2011 entered on the ES screen.
14	Prior year's refund applied for on Form 4466	Overrides amount coming from Form 4466 to line 32c of Form 1120 . Go to PRNT (Print Options) screen and select the option Calculate Form 4466 .
16	Tax deposited with Form 7004 (extension application)	Overrides amount entered on screen 7004 - Application for Automatic Extension for Form 1120, "Amount paid with extension."
Schedule K - Other Information		
10/9	Tax-exempt interest received or accrued during the tax year	Overrides the amount of tax-exempt interest entered on the INC screen.
Schedule L - Balance Sheet - Assets		
3/3b	Inventories	Overrides entries from screen A - Cost of Goods Sold, line 1 Inventory at beginning of year.
3/3(d)	Inventories	Overrides entries from screen A - Cost of Goods Sold, line 7 Inventory at end of year.
8a/10a (a)	Depreciable assets	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).
8a/10a (c)	Depreciable assets	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).
8b/10b (a)	Accumulated depreciation	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).
8b/10b (c)	Accumulated depreciation	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).
10/12 (b)	Land	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).
10/12 (d)	Land	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).
11a/13a (a)	Intangible assets	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).
11a/13a (c)	Intangible assets	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).
11b/13b (a)	Accumulated amortization	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).
11b/13b (c)	Accumulated amortization	Overrides calculations from on the 4562 detail screen or the Subsidiary Schedule for the Balance Sheet (SCH2) screen).

Overrides Worksheet		
Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
1120		
Schedule M-1 - Reconciliation of Income (Loss) per Books With Income per Return		
2	Federal income tax	Overrides the systems calculation based on taxable income.
5	Expenses recorded on books but not deducted on Form 1120	Overrides the book-to-tax depreciation adjustment calculated by the system.
8	Deductions on form 1120 not charged against book income	Overrides the book-to-tax depreciation adjustment calculated by the system.
Schedule M-3 - Net Income/Loss Reconciliation		
2a	Income statement period - Beginning	Overrides default calendar year dates or fiscal year dates entered on screen 1
2a	Income statement period - Ending	Overrides default calendar year dates or fiscal year dates entered on screen 1
Form 8916 - Reconciliation of Sch M-3 with Taxable Income for Mixed Groups		
1	Sch M-3 tax reconciliation amount from Pt. II, line 30, column (d)	Overrides amount calculated by the system for Part II, line 30, column (d).
PMT - Electronic Funds Withdrawal Information		
	Federal payment amount	Overrides amount calculated by the software for line 34 of Form 1120: "Amount Owed."
	Federal : Requested payment date	Overrides federal return due date.
	Federal Daytime phone number	Overrides phone number entered on screen 1 (General Info)
	State payment amount	Overrides amount calculated by the software.
	State: Requested payment date	Overrides state's return due date or date the return is filed
	State: Daytime phone number	Overrides phone number entered on screen 1 (General Info)
	State payment amount	Overrides amount calculated by the software.
	State: Requested payment date	Overrides states' return due date or date the return is filed
	State: Daytime phone number	Overrides phone number entered on screen 1 (General Info)
	State payment amount	Overrides amount calculated by the software.
	State: Requested payment date	Overrides state's return due date or date the return is filed
	State: Daytime phone number	Overrides phone number entered on screen 1 (General Info)
Print Options		
	Print federal filing instructions	Overrides the option selected in Setup > Options, Optional Documents tab, for the federal filing instructions.
	Print state filing instructions	Overrides the option selected in Setup > Options, Optional Documents tab, for the state filing instructions.
	Print corporation's envelope coversheet	Overrides the option entered in Setup > Options, Optional Documents tab, for the corporation envelope coversheet.
	Print IRS envelope coversheet	Overrides the option entered in Setup > Options, Optional Documents tab, for the IRS envelope coversheet.
	Print state envelope coversheet	Overrides the option entered in Setup > Options, Optional Documents tab, for the state envelope coversheet.
	Print city envelope coversheet	Overrides the option entered in Setup > Options, Optional Documents tab, for the city envelope coversheet.
	Date to print on returns	Overrides the default date on the "Paid Preparer" line at the bottom of the 1120, page 1, the 1120-C, the 1120-H, the letter, and the 8879 .
	Due date to print on letter and filing instructions	Overrides the default due date that is printed on letters and filing instructions.
	Total assets on Form 1120, page 1, line D	Overrides the amount calculated by the software for Form 1120, page 1, line D.
	IRS Service Center	Overrides the IRS Center address determined by the program based on the corporation's location and amount of total assets at the end of the year.
4562 Detail		
	Override regular depreciation, Federal	Overrides the system calculation for the "Current depr" column of the Depreciation Detail Listing.
	Override regular depreciation, AMT (if different)	Overrides the system calculation for the "AMT Current" column of the Depreciation Detail Listing.
	Override regular depreciation, Book (if different)	Overrides the calculated book amount.

Overrides Worksheet		
Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
1120		
	179 expense elected this year, Federal	Overrides Form 4562, Part I, line 6, column (c) and the amount for the WK_C179L
	179 expense elected this year, Book (if different)	Overrides the calculated book amount and the amount for the WK_C179L..
	179 expense ALLOWED this year, Federal	Overrides Form 4562 line 12 (If Method M is chosen there must be an entry made on line 179 expense elected this year or Method EXP must be used). Overrides amount calculated for WK_C179L.
	179 expense ALLOWED this year, Book (if different)	Overrides the calculated book amount and the amount for the WK_C179L.
"Force convention"	Placed in Service and Like-Kind Exchange Info	Overrides convention determined by the dates of assets placed in service during the year.
"Do not use MACRS % tables"	Placed in Service and Like-Kind Exchange Info	Overrides how the system calculates depreciation for the "Life" and "Method" columns of the Depreciation Detail Listing.
4562 Part 1		
1	1 Maximum amount if greater than \$250000	Overrides the maximum of 179 expense for 2009 of \$250,000 on line 1 of Form 4562
2	2 Total cost of sec 179 property placed in service in current year	Overrides the software calculated amount of section 179 property placed in service during the tax year.
13	Total business income Federal	Overrides line 5 on WK_C179L
1118 Foreign Tax Credit Schedule B, Part II		
1	Total foreign taxes paid or accrued	Overrides calculated amount from Form 1118, Schedule B, Part I, column 2h.
2	Total taxes deemed paid	Overrides calculated amount for Form 1118, Schedule B, Part I, column 3.
3	Reduction of taxes paid, accrued, or deemed paid	Overrides amount carried from Schedule G.
5	Carryback or carryover of excess foreign taxes	Overrides amount on Schedule K, line 3, column XIV.
7	Schedule J, Part I, line ii (if Sch J is required)	Overrides amount on Schedule J, Part I, line 11, or Schedule A, column 13.
3800 - Parts I & II, Current Year Credits		
13	25% of the excess, if any, of line 14 over \$25,000	Overrides amount calculated by the software for Form 3800, Part II, line 13. This field is used for allocation of the total amount for controlled groups.
17a	If there has been an ownership change, acquisition, or reorganization	Overrides amount calculated by the software for Form 3800, Part II, line 19a.
Form 3468		
5a	Qualifying advanced coal project credit, Basis of investment in gasification for section 49A(d)(3)(B)(i) projects	Overrides the cost entered on the 4562 detail screen as determined by the code (CA) entered in the Investment credit code drop list.
5b	Qualifying advanced coal project credit, Basis of investment in coal-based generation for section 49A(d)(3)(B)(ii) projects	Overrides the cost entered on the 4562 detail screen as determined by the code entered in the Investment credit code drop list.
6b	Qualifying gasification project credit, Basis of investment property not included in (a) above	Overrides the cost entered on the 4562 detail screen as determined by the code entered in the Investment credit code drop list.
11e	Rehabilitation property, Pre-1936 buildings in the Gulf Opportunity Zone	Overrides the cost entered on the 4562 detail screen as determined by the code (RA) entered in the Investment credit code drop list.
11g	Rehabilitation property, Other pre-1936 buildings	Overrides the cost entered on the 4562 detail screen as determined by the code (RB) entered in the Investment credit code drop list.

Overrides Worksheet		
Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
1120		
11h	Rehabilitation property, Certified historic structures in the Gulf Opportunity Zone	Overrides the cost entered on the 4562 detail screen as determined by the code (RC) entered in the Investment credit code drop list.
11j	Rehabilitation property, Other certified historic structures	Overrides the cost entered on the 4562 detail screen as determined by the code (RD) entered in the Investment credit code drop list.
12a	Energy Credit, Basis of property using geothermal energy placed in service during 2009	Overrides the cost entered on the 4562 detail screen as determined by the code (EA) entered in the Investment credit code drop list.
12b	Energy Credit, 11b Basis of property using solar illumination or energy placed in service during 2009	Overrides the cost entered on the 4562 detail screen as determined by the code (EB) entered in the Investment credit code drop list.
12c	Energy Credit, 11c Qualified fuel cell property: Basis of property installed	Overrides the cost entered on the 4562 detail screen as determined by the code (EC) entered in the Investment credit code drop list.
12i	Energy Credit, Qualified microturbine property: Basis of property installed	Overrides the cost entered on the 4562 detail screen as determined by the code (ED) entered in the Investment credit code drop list.
Form 6478		
2	Alcohol 190 proof or greater and alcohol 190 proof or greater in fuel mixtures	Overrides the default rate. Refer to the form instructions.
3	Alcohol less than 190 proof but at least 150 proof and alcohol less than 190 proof but at least 150 proof in fuel mixtures	Overrides the default rate. Refer to the form instructions.
4	Qualified cellulosic biofuel produced after 2008 that is alcohol	Overrides the default rate. Refer to the form instructions.
Form 8609 - Low-Income Housing Credit Allocation Certification		
2	Schedule A - Annual Statement, Override of computed rate	Overrides computed rate on Form 8609A, Part II, line 2.
Form 8827 - Credit for Prior Year minimum Tax		
8a	Section 383 or Section 384 Amounts	Overrides the amount calculated for Form 8827, line 8a if the corporation has special items. See Form 8827 instructions.
Schedule K-1 for 1065		
	Current Year 179 exp allowed	Overrides the allowed amount calculated on the WK_S179L worksheet.
	Prior year 179 exp allowed	Overrides the allowed amount calculated on the WK_S179L worksheet.
	Prior year QRP 179 exp allowed	Overrides calculated amount.
SS-4 - Application for Employer Identification Number		
	County & state	Overrides information entered on screen 1.
	Date business started/acquired	Overrides information entered on screen 1.
W: Form 1120W - Corporation Estimated Tax		
1	Taxable income expected for the tax year	Overrides amount coming from Form 1120, page 1, line 30.
15	Alternative minimum tax	Overrides amount flowing from the Form 4626, line 14.
23a	Tax shown on current year tax return	Overrides amount calculated by the software for Form 1120, line 30
25	Required installment amounts	Overrides amount calculated by the software for Form 1120W, line 25, column (a)-(d)
25	Overpayment applied	Overrides amount calculated by the software for Form 1120W, line 25, columns (a)-(d).
Form 1120X - Amended U.S. Corporation Income Tax Return		
1	Total Income	Overrides amount from original Form 1120, line 11.
2	Total deductions	Overrides amount from original Form 1120, line 27.
4	Tax	Overrides amount from original Form 1120, line 31.
5a	Overpayment in prior year allowed as credit	Overrides amount from original Form 1120, line 32a.
5b	Estimated tax payments	Overrides amount from original Form 1120, line 32b.
5c	Refund applied for on Form 4466	Overrides amount from original Form 1120, line 32c.

Overrides Worksheet		
Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
1120		
5e	Tax deposited with Form 7004	Overrides amount from original Form 1120, line 32d.
5f	Credit from regulated investment companies	Overrides amount from original Form 1120, line 32f(1).
5g	Credit for federal tax on fuels	Overrides amount from original Form 1120, line 32f(2).
6	Tax paid with/after original return	Overrides amount from original Form 1120, line 34.
8	Original overpayment or as later adjusted	Overrides amount from original Form 1120, line 35.
1139 - Application for Tentative Refund for Current-Year Loss Carryback		
2c	Service Center	Overrides the IRS Service Center determined by the program based on the location and amount of total assets.
Form 2220 - Underpayment of Estimated Tax (Screen 1 of 2)		
10	OVERRIDE installment amounts	Overrides amount carried from ES screen.
Form 2553 - Election by a Small Business Corporation		
	Officer title for signature section	Overrides the entry made in Part I, line H, Title, on screen 2553 .
Form 3115 Change in Accounting Method		
	General Information - Principal business activity code number	Overrides selection made on screen K , line 2a.
	Tax year of change begins	Overrides default calendar year dates or fiscal year dates entered on screen 1 .
	Tax year of change ends	Overrides default calendar year dates or fiscal year dates entered on screen 1 .
	Contact person's telephone number	Overrides entry made on screen 1 .
Parts II, IV, Line 25	Net Section 481(a) adjustments for the year of change	Overrides amount flowing from Form 3115, section A, line 1h.
Form 4626 - Alternative Minimum Tax		
8c	Member's reduced share	Overrides the calculated amount for line 8c for members of controlled groups. See Form 4626 instructions.
Form 5471 SCHI Schedule I and Worksheets		
1	Subpart F income	Overrides calculations from worksheets A -D.
2	Earnings invested in US property	Overrides calculations from worksheets A -D.
3	Previously excluded subpart F income withdrawn from qualified investments	Overrides calculations from worksheets A -D.
4	Previously excluded export trade income withdrawn from investment in export trade assets	Overrides calculations from worksheets A -D.
31	Worksheet A - Shareholder's pro rata share of line 30	Overrides calculated amount.
38b	Worksheet A - Average exchange transaction rate	Overrides rate entered on 5471 screen.
4	Worksheet B - U.S. shareholder's pro rata share of U.S. property held	Overrides calculated amount.
13	Worksheet B - U.S. shareholder's pro rata share of line 12	Overrides calculated amount.
17	Worksheet B - Year-end spot translation rate	Overrides rate entered on 5471 screen.
5	Worksheet C - U.S. shareholder's pro rata share of line 4	Overrides calculated amount.
6b	Worksheet C - Average exchange translation rate	Overrides rate entered on 5471 screen.
2	Worksheet D - Pro rata share of line 1	Overrides calculated amount.
7b	Worksheet D - Average exchange translation rate	Overrides rate entered on 5471 screen.
Form 5472 - 25% Foreign-Owned U.S. Corporation		
1j	Country of Incorporation	Overrides entry on screen 1 for foreign address if "." is entered in ST field.
Form 7004 - Application for Automatic Extension for Form 1120		
6	Tentative tax before credits (Payments/Credits)	Overrides calculated amount on Form 1120, page 1, line 31; Form 1120-C, line 28; Form 1120-H, line 22.
7	Total payments and credits	Overrides calculated amount on Form 1120, page 1, line 32h; Form 1120-C, line 29; Form 1120-H, line 23g.
Form 8027 Employer's Annual Information Return of Tip Income and Allocated Tips		
7	Allocation of tips if using other than calendar year	Overrides calculated amount for line 7 of form; place x in line 6 to activate this override.
Form 8082 - Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR)		
7	Corporation's tax year	Overrides the dates entered on screen 1 .

Overrides Worksheet		
Override Location		
Screen/Line	Field Name	Location of Information Being Overridden
1120		
Form 8716 - Election to Have a Tax Year Other Than a Required Tax Year		
4	Date of required tax year	Overrides calculated date based on return type election.
Form 8822B - Change of Address		
4a	Business name	Overrides information entered on screen 1.
4b	Employer ID number	Overrides information entered on screen 1.
6	New mailing address	Overrides information entered on screen 1.
8	Daytime phone number	Overrides information entered on screen 1.
Form 8873 - Extraterritorial Income Exclusion		
5a	Business activity code	Overrides information flowing from the Schedule K, line 2.
5b	Product	Overrides information flowing from the Schedule K, line 2c.
45	Part IV	Overrides calculated results for line 42: override and enter amounts from lines 33, 36, 38, or 44, when using alternative computation.
Form 8903 - Domestic Production Activities Deduction		
11	Income limitation	Overrides program calculations for Form 8903, line 11 from Form 1120, line 28 (adds back 8903 DPAD amount from Form 1120, line 25).
Form 8925 - Report of Employer-Owned Life Insurance Contracts		
	Type of business	Overrides entries made on K screen, line 2 (Business activity)
Client Bill - Adjustments and Payments		
	Billing option (overrides what is set up in options)	Override the option selected in Setup > Options, Billing tab.
	Custom paragraph option (overrides what is setup in options)	Override the option selected in Setup > Options, Billing tab.
	Date to be printed on bill	Overrides current date.

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